













# THE BLOODLESS WAR

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TRANSLATED FROM THE ITALIAN

BY

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TO  
SENATOR LUIGI ALBERTINI  
ONE OF THE MOST ACUTE AND TENACIOUS AND UPRIGHT  
OF THOSE WHO KEEP WATCH FOR ITALY,  
WITH AN ITALIAN'S  
GRATITUDE FOR WHAT HAS, WITH HIS HELP,  
BEEN ACCOMPLISHED AND AVOIDED,  
THIS BOOK IS DEDICATED

*May 24, 1916*

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Ezio M. Gray, was published in 1916 by Bemporad e  
Figlio, of Florence.*

## PREFACE

*"The strength of a nation resides not in what it possesses, but in what it can effectively utilise."*

### I

THE starting-point of the present volume is this: In the economic and political system of Imperial Germany the war which is now in progress was neither intended nor premeditated from the outset. It is perfectly true that such a system was bound inevitably to lead to war, because Europe could not, and would not, beyond a certain point, have abdicated her political, economical and national position in favour of Germany; but it is equally true that Germany would willingly have dispensed with the war, which she contemplated and presupposed only as a possibility.

Naturally, the German spirit of organisation did not run the risk of having to meet such an eventuality by improvised measures, but prepared the elements of a successful campaign with the pertinacity and lavishness which is peculiar to it.

Naturally, once more, when Germany saw this eventuality approaching she anticipated its realisation,

in order to gain the advantages of time and place over her adversaries, while her foresight had already assured her of the advantage in the matter of preparation. It is therefore certain, I repeat, that in Germany's calculations the war was not the preferred and intentional means of that conquest of the world which inspired all her actions, and which—by an error of psychological valuation—appeared to her as the essential condition of her existence, thereby enabling her to assert in good faith that she was entering the war in order to defend her own existence.

So the war was not premeditated. But the conquest of the world was premeditated.

And how could Germany have effected this conquest without bloodshed? By making herself the mistress of the economic systems of those countries which she intended pacifically to absorb into the Empire, for to take possession of the economy of a country is as good as, and better than, taking possession of it by the fortune of war or the decrees of diplomatic conventions.

It may be added, with perfect reason, that pacific conquest also conduces to the aims of eventual war, because, although pursuing its own economic ends, it secures the gradual appropriation of the vital defensive and offensive centres of a country, and furnishes the German Government with the detailed plan of the military and economic resources of the said country, which might be of value to Germany in the event of a successful war of invasion. In this

sense the economic conquest of a country as undertaken by Germany has the true and peculiar characteristics of espionage.

## II

A second fundamental point of this book is the following: At the beginning of the war Italy was, where the Germans<sup>1</sup> were concerned, in such a position of economic vassalage that this must, had it grown more onerous, have reduced Italy to the condition of a German colony, while if war had broken out between Austria and Italy only, the economic bonds imposed by Germany would in great part have paralysed Italy's power of reaction. While we have already demonstrated, in another volume,<sup>2</sup> that the pacific conquest of Italy was realised not only in the sphere of politics, but also in the spheres of culture and individual infiltration, here it will be shown that the network of German commercial and banking interests in Italy has not only exerted a sinister influence—that is, one in opposition to the national interests—over the political atmosphere, but also that it has served, in a very considerable degree, to keep

<sup>1</sup> When I say Germans I mean to include Austrians, both because of their racial kinship, and because the Austrian economy was already so servilely Teutonic that Austria's behaviour, where Italy was concerned, was actuated by her own manifest hatred of Italy but also by the secret interests of Germany.

<sup>2</sup> *L'invasione tedesca in Italia*, E. M. Gray. The 4th edition, being enlarged and corrected in the light of the lessons of the war, is that which should be referred to in connection with the present volume.



our future enemy informed as to the military and economic results of an eventual war.

### III

The third fundamental point considered in this book is this: Not only must Italy nationalise her own economic system, if she wishes to be truly independent, with a dynamic independence; but she can do so, because she has the resources and she has the men. This third proposition, as far as the first part is concerned—the necessity of economic independence—will appear spontaneously from the proofs of previous propositions (the economic conquest of the world and the equivalent value of economic and military conquest); as to the second part (the possibility of economic independence), it will not be developed as we had wished, as other tasks have encroached upon the scope of our documentary labours. But it is enough for us that we have laid the foundations; there are others,—whom we could name—who are especially competent to prepare and to set before Italy the picture of her immense economic possibilities; for in the glorious magnitude of her military victories she will find strength and determination for those economic victories without which the great sacrifice accomplished by an heroic people would remain like a song without an echo.

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# THE BLOODLESS WAR

## THE ECONOMIC FOUNDATIONS OF THE GERMAN CAMPAIGN

IN a former volume, *The German Invasion of Italy*, I spoke of the German way of looking at espionage, which is quite unlike the European manner of regarding it, and the European nations (not including Germany, who is in this matter anything but European) have always limited their secret service activities to the military sphere, entrusting the duties of espionage to adventurous persons of doubtful capacity and morality; while Germany, on the other hand, has constituted espionage an honourable and esteemed *national function*, not disdained, on certain occasions, by the Kaiser himself. Asking myself what was the reason of this diversity in the conceptions of espionage, and, further, how it was that the duties of espionage could be performed in a manner corresponding to the prevailing conception of it, I found the explanation by examining the political and national characteristics which have been formed - and then exaggerated - in Germany ever since the foundation of the Empire.

While considering, in these pages, the economic

invasion of my country, which at the same time constitutes the introduction of a system of espionage, it will be well to recapitulate this demonstration a little more fully.

The wars with Schleswig-Holstein, Austria, and France - and above all the last, with the stupendous after-result of the Napoleonic *débâcle* - suddenly gave Germany the position of a Great Power.

She was a Great Power considered from every point of view: from the military point of view, by reason of her audacity, strength, and determination; from the political point of view, owing to the good fortune which befell the schemes of Bismarck, Prussia instead of Austria playing the leading part in the confederation and subsequent unification of Germany, while each of the three enemy countries was isolated by the very act of provoking and subduing it.

The financial aspect was equally consoling, since the huge war contribution, while it healed the wounds of a war which was, for that matter, fought entirely on enemy territory, enabled Germany to commence, upon exceptional foundations, that wonderful industrial and commercial edifice which in a few years, increasing by leaps and bounds, succeeded in menacing the age-long supremacy of Great Britain.

Then came the colonies, and the fleet, when Bismarck was already in his decline, and other men replaced him, with wider views than his. All Germany was a vast and enormously industrious beehive. But she soon became a menace.

Not only did the country emerge from these three wars with its wealth, its army, its prestige, and its industry multiplied tenfold, but the population also had undergone a remarkable increase, rising from

35 millions in 1851 to 40 millions—to-day it numbers 70 millions—and this fertility assured it of a continuous and persistent increase which would soon have swamped the national territory, despite the augmentation of the latter. While the population of Germany was rising from 35 millions to 65 (1851–1909), that of Italy increased from 24 to 34, and that of Great Britain from 27 to 44 millions.<sup>1</sup> This German population was not inclined to deprive itself of the good things of life; indeed, it is calculated that the improvement in the standard of living between 1900 and 1912 was represented by 123·1 as against 100. Emigration decreased accordingly, while immigration increased. Consequently, the day was approaching when there would no longer be elbow-room in Germany; it was natural, therefore, that the population should begin to think of other countries where the inhabitants were more sparsely distributed. Then came the doctrine of Pangermanism, to persuade it that the occupation of such countries was not only a possibility, but a right.

Between 1890 and 1905 the production of the country increased in a way that was almost fantastic and explosive, and there appeared no possible limits to this productivity, by means of which it seemed that Germany was revictualling the whole world for a siege of centuries, during which the other planets would deprive it of all means of production. It was the period of cities which sprang up around a workshop until the workshop overwhelmed the city; it was the period of railway stations as monumental as temples, of railways which absorbed meadows, fields

<sup>1</sup> These figures are from Carli's *La ricchezza e la guerra*, Vol. VIII (Treves, Milan, 1915).

and provinces in order to carry off the incessant production more swiftly and securely; it was the period of banks which supported industry and had novel criteria of security—without guarantee—which enabled the industry thus financed to breathe, to grow, and to dare without restraint. It was the period of the great ports, the great arsenals, and the great mercantile fleets. To win the first place in everything—in the production of dyes as in the speed of Transatlantic steamers, in the wages of the workers as in the application of mechanical principles—to defeat every other nation by challenging it, so to speak, on the ground most favourable to it; this, apparently, was the German dream, praised and extolled by the whole world, which was very glad to see thus absorbed in the works of peace a people which had manifested a purpose and a will and a strength which were equally victorious in the works of war.

The production of the country, as we have said, was plethoric. In her unbridled progress in this province Germany had surpassed every conceivable requirement of her own internal market, yet had nevertheless continued to produce.

Now, this enormous production might have become imbecile, but as a matter of fact it did not. Its persistence was guided by two very powerful motives. The first resided in the fact that production intrinsically enriched the country; the second in the necessity of paying the annual cost of the country's alimentary imports.

The intrinsic wealth-producing capacities of industrial production are obvious. Since the income of a nation—as Signor Carli observes—is derived from

the sum of the labour involved in its production, and since manufactured products are those which involve the greatest sum of labour, relatively to their value, the convenience of producing the greatest possible abundance of manufactures is obvious.

Equally obvious is the necessity of paying the annual alimentary debt. Germany had sacrificed agriculture to industry; not to the same extent as England, yet to a dangerous extent. German industry required for its expansion an increasing army of recruits, seven or eight millions of men and women, which agriculture had to renounce. And in renouncing them it had to deny itself: that is, to limit the agricultural production. Up to a certain point, it is true, this limitation was obviated by the scientific organisation of the yield of the soil, which developed agriculture intensively rather than extensively. By this method Germany has obtained an agricultural yield unknown to any other European country, so that agriculture, too, has been industrialised.<sup>1</sup> But the continually improving standard of life and the increase of the population rendered such a result ever more precarious in respect of the alimentation of the country, and indeed the production of cereals, which up to 1860 had admitted of exportation, was equalled by the internal consumption between 1860 and 1870, while after 1870 it became insufficient, so that to-day Germany depends upon the outside world for nearly

<sup>1</sup> In 1885-87 Germany obtained an average of 13.1 cwt. of wheat to the acre; in 1909-13 she obtained 21.1 cwt. Now Italy obtains only 11.7 cwt., France 13.8 cwt., Canada 25.4 cwt., Russia 6.8 cwt. The results obtained in the sugar industry are marvellous. In 1913-14; 6.15 lb. of beet gave 1 lb. of sugar, while in 1875-76 it required 11.62 lb. (*Vide Carli, op cit.*)



three million tons of grain, which used to come from Russia. But the alimentary dependence of Germany was not confined to the matter of cereals alone, and this alimentary deficit was represented in her budget\* by a sum of £120,000,000. How remedy this? By the exportation of manufactured goods, and therefore by their production. The manufactures pay for the grain, and as the alimentary deficit will go on increasing, so the production of manufactured goods increases in the manner already described, and this increase guarantees the rapid increase of wealth which Germany pursues with such avidity.

Up to this point it might also be said that a certain economic equilibrium was established, with the further advantage that it was possible to maintain and improve the standard of living, which was, as we saw, already fairly high. But here precisely Germany began to see obliquely, and entered upon that crooked way which, assigning a political function to her economic life, was bound inevitably to lead her to war. It is possible to make a close examination of the phenomenon (which might be called involuntary) of Germany in her relations with Russia. We have already seen that it involves the exchange of manufactures against alimentary products, and the increasing request for these alimentary products, and their increasing price, resulted in an enormous advantage for productive Russia. But, after all, Russia's profits\* resulted in a fresh profit for Germany; for Germany, having increased Russia's powers of acquisition, was able to sell her a greater abundance of manufactures. Germany reasoned in the inverse sense, persuading herself that Russia's profit was her loss. She therefore determined to get a grip upon the economic

system of Russia before the Russian economy, technically improved by Germany, should attempt to dispense with the German export trade. With this intent German capital flowed into Russian enterprises, controlling them, directing them, limiting or expanding them accordingly as they did or did not enter into the orbit of the German political economy.

What is true of Russia is true of other nations. While by continuous production, which lowered cost prices, by the exaggerated instalment of plant which made such fabulous production possible, and by "dumping" (that is, by sale at a price that defeated all competition), Germany endeavoured to make, or made, every foreign country a purchaser and a tributary, to swell that consumption which is the indispensable condition of her frenzied production—for it is useless to produce if what is produced is not sold—while all this was happening, she kept a careful watch lest by means of the implements which she sold them her customers should gradually succeed in creating for themselves an industrial life which would emancipate them from dependence on Germany. And to prevent this escape Germany made herself at home in such countries, monopolising industrial and commercial enterprises, tainting the credit institutions with the German virus, or founding institutions of her own with local denominations; influencing the legislative atmosphere in order that no laws contrary to her interests should be passed; embracing journalism, finance, and the banking organisation of the country, and making them so many instruments—we may so call them—of life and death. Of life for herself, inasmuch as her financial investments abroad are considerable in quality, not in quantity, and

German capital is pledged only to a slight extent, but in such a way that, small as it is, it rules and governs far greater masses of foreign capital.

An instrument of death for others, because the countries thus dominated become her fief, and pay her tribute from the greater part of their visible wealth. German economy has so contrived that it has its hands abroad, but its head in Berlin, and when the head orders the hands to close they kill, arresting at a blow all the labour over which they rule. This happens when a country seeks to support such projects as are calculated to serve its own interests, but to injure those of Germany. Then in a moment Germany *neutralises* that country, rendering it impotent, because all possibility is excluded of utilising that wealth—that is, those arms of offence and defence—which it believed itself to possess in full liberty.

In the idea that it was necessary thus to “neutralise” other peoples in order to prevent them from redeeming themselves from their subjection to German products, Germany was supported by two truths.

1. England could slowly be defeated on the ground of exportation to other nations, but could not seriously become a German market, as the economic nationalism of England had caused that country to create for herself all the machinery of economic independence (banks, submarine cables, a fleet, railways, colonies rich in raw materials, etc.), which constituted a self-contained system, impregnable to attack from without or within. If the other States had determined gradually to attain for themselves a

similar economic nationalism, the doors of the world would one by one have been closed in Germany's face. And this Germany was determined to prevent.

2. In order that she might be able continually to intensify her production of manufactured goods, Germany required to be certain of her own subsistence: that is, she must secure for herself the alimentary products which she needed each year, and must also be sure of the supply of raw materials which were the unavoidable condition of the ever-increasing productivity on which her fate was henceforth dependent. Hence the absolute urgency of assuring herself of markets which would replenish her—that is, those of the agricultural nations, of virgin territories, of regions rich in minerals, etc.

In an economico-political edifice of this kind there is disequilibrium in the foundations as well as at the top. Germany specialised herself as a nation, and in so doing was within her rights; but she then projected this individual and nationalised specialisation into foreign countries; that is to say, opposed it to other nationalities—and here her rights expired—to give way to a true and indefensible aggression.

Hitherto there was in all her methods nothing that spoke of actual war. War was always a secondary hypothesis of the German programme. We have already said, and we repeat, that the ever-increasing augmentation of the population, and the ever more urgent necessity of new commercial outlets, were leading Germany toward a twofold conquest: the conquest of markets and the conquest of territories. Now the economico-political invasion, for the time being, satisfied both needs. When, indeed, the *Orient Bank* established its branches in Morocco

(Fez, Casablanca, etc.), it endeavoured not only to deal with affairs of a temporary and isolated character, but also to establish bases in Morocco which should be the pretext for diplomatic intervention on the part of Germany, followed by military intervention, which should assure Germany of the effective conquest of a virgin territory which could be populated and made productive, and which, when organised industrially, would have given the mixed population the capacity to acquire products of German origin.

This is the contrary of the Roman method. When the Roman eagles had conquered a country, the great merchants trod upon the heels of the army, in order to find a profitable market for their products, and behind them (or abreast of them, as we read in Titus Livius) great financial companies were formed, which organised the yield of the local resources and opened banks which lent money to the countryside (at a high interest always), and thus placed it in a position to increase its powers of production, which were then drawn upon by Rome. The Roman bankers and merchants thus found their way everywhere, and, according to Cicero (*Pro Fonteio*), Gaul was so full of them that *nemo Gallorum sine cive Romano negotium gerit*—"No Gaul does business without a Roman citizen." It was the same in Asia and Numidia (Sallust).

Germany has adopted the inverse system; the merchant and the banker are the pretext for effective conquest when this is needful: are merely allies (but how powerful!) when the necessity of events calls for direct conquest. This is so true—to return to the example of the *Orient Bank* in Morocco—that when the German attempt upon Morocco was

checked by the Franco-German agreement, the *Orient Bank* closed its branches, which had no longer any reason for existing, just as they had had no real reason for establishing themselves.

And here—while we are speaking of banking—is another remarkable proof of the political significance of German banking enterprises in foreign countries. Germany, who did not hesitate to open banks in Morocco, was by no means in a hurry to open them in her own colonies, where they might none the less have proved an effectual instrument of economic awakening. Until 1904, in fact, Germany had no colonial banks, and it was only in the autumn of that year that she established the *Deutsche Westafrikaner Bank* for the Congo and the Cameroons, when she saw that there was a danger of the instalment of a branch of the British Bank of West Africa in those colonies. This indolence in her own territory shows us that Germany prefers to be active in other territory than her own, because in foreign countries, under a cloak of pacific intentions, she prepares the way for spoliation and expropriation.

Is all that we have just been expounding true? Is it true—beyond all ulterior theoretical demonstration—that Germany has given such a political direction to her economy as to do violence to its origins and to distort the normal scope of every national economy?

And is it true (it is important to make sure of this, that we may thereupon give warning of the German peril where Italy is concerned)—is it true that the pitiless mortgage imposed by Germany upon the economy of other nations has helped her in the hour

of conflict—helped her politically as greatly as in a military sense?

In a military sense: that is, by employing against those countries which have already entered the war those of their secrets and their weapons which so many years of economic espionage and supremacy have placed in her hands.

Let us touch briefly upon some actual examples taken from the nations which are now on one side or the other of the blood-soaked trench which divides Europe.

We will purposely omit Belgium, because the disastrous effects which the pacific invasion of that country by Germany has had upon its political and economic defence have already been dealt with by me in articles and volumes which contained the first warning uttered in Italy against the "German method."<sup>1</sup>

Let us first, and above all, consider Russia. Here is an immense country; especially great in the stage of economic puberty in which it stood a few years ago. A vast agriculture and a considerable exportation of alimentary products (among which grain was the chief—amounting to £57,200,000 per annum) assured it of a solid reputation as a good debtor. But its agriculture was not great in the sense of extension, nor in that of profundity; intensive culture was unknown; the initiative which it requires was wanting, as were the technical means and the capital.

And capital was lacking because the great industrial development which concentrates wealth was lacking; the industrial development which would have

<sup>1</sup> Elio M. Gray, *Il Belgio sotto la spada tedesca* (4th ed., Bemporad, Florence, 1915).

provided Russia from within with the manufactured products in which she is deficient. Now all these things—capital, technique and industry—have been brought into Russia by Germany, who in her turn required Russia to furnish her year by year with that mass of alimentary products which were needed to fill the German alimentary deficit to which we have already referred.

And we see Germany providing Russia with machinery and industrial products to the value of £68,000,000, while Russia yields Germany £48,000,000 worth of alimentary products.<sup>1</sup> If these exchanges could have been effected between France and Russia, or between Russia and England, it is probable that nothing would have disturbed those commercial relations which give a reciprocal advantage to the countries which maintain them. And this would have been the case because France and England have economic systems which live and let live, and the French economy—the better to exemplify my meaning—does not ally banking with industry, and sells its products, and invests its money, without political preoccupations. Germany, on the other hand, saw her relations with Russia assume a threatening aspect, and reflected that while she might always have to depend upon Russia for alimentary products—because, as we have seen, her soil, intensely though it is cultivated, cannot keep pace with her alimentary needs, which are always increasing, thanks to the increasing withdrawal of hands by her industries, to the detriment of her agriculture—yet Russia, on the other hand, might one day

<sup>1</sup> These figures are given by Ancona in his little volume : *L'aspetto finanziario della guerra* (Treves, Milan, 1915).



succeed in emancipating herself from the importation of the machinery and the industrial products of Germany. For this reason Germany threw herself into the industrial and financial organisation of Russia, and with the ten years' commercial treaty of 1906 she imposed herself upon Russia, economically speaking, in such a way as still to hold in her own hands the new arteries imbedded in the vast body of Russia. And in less than ten years she had arrogantly crowned the work of expropriation which was begun between 1880 and 1890. Not even the great industrial centres had escaped; the German industrial banks had absorbed these, too, in this gigantic monopoly, which was to serve to batter a breach in the British world-supremacy.

Needless to say, Russia could not help herself in the matter. Impressed by this growing monopoly, she improvised and complicated her fiscal barriers. But this was of little avail. This is what Signor Virginio Gayda, a conscientious and scholarly writer, has to say in this connection: "The rigid fiscal protectionism of Russia, with its typical character of a system intended above all to create a native industry by the aid of foreign capital, and the fixation of the value of the rouble, which stopped the disastrous oscillations of the Russian currency, has attracted a great deal of industrial capital and a great deal of enterprise from abroad. The German industries in Russia have been established pre-eminently for this purpose: to leap over the customs barrier, and not to lose the Russian market. They are like a system of legal contraband; a system of simple branches of German factories, which produce and sell in Russia, and continue to yield their dividends to German

manufacturers, the old providers, cut off from Russia by the customs. Such an industrial movement is typical. It is a proof of Germany's determination that her prey shall not escape her. In 1868 the Russian duties upon metallurgical products were increased; immediately German steel foundries were established in Poland. The same phenomenon was to be observed after 1882, when the duties upon manufactured iron were increased; the factories of Westphalia, the traditional purveyors to Russia, established branch factories over the frontier, in the Baltic Provinces. The same thing happened in the case of the spinning and weaving industries of Silesia and Posen, which established themselves in Poland, especially at Lodz."

In parenthesis we may remark that the Polish problem has, of course, not been reopened by the European War. Both in the heart of the Polish minority, firm in its national faith, and in the mind and the designs of the Pangermanists, the Polish problem has always remained open. The Poles hoped for independence; the Germans were preparing a plan to redeem Russian Poland in order to unite it with German Poland under the Imperial German Government. The last speech of Bethmann-Hollweg (April 1916) merely recapitulates this very programme. Well and good: do you suppose that the German industrialisation of Poland with the intention described was unpopular? These engineers, bankers and technical experts, transplanted to Poland, and living there in order to colonise the country in a political sense, affected the surrounding atmosphere, were persistent propagandists, tempted the conscience while they gratified the vanity of the weaker, threat-

ened the Russian dominion while they sapped the Polish national spirit, and created about Lodz and Warsaw nuclei of German influence which accustomed the people to think and to see that they derived an economic benefit from their German neighbours, and to desire a more intimate contact. The German influence was active not only in economic matters, but affected the language and the political ideas of the people. After the banker came the manufacturer, and with the manufacturer came the workshop, and with the workshop the church and the school, those great weapons of German penetration. In this way the Germanisation of Poland was prepared.

Let us now leave our parenthesis and return to the subject of the German penetration. Here are some more significant figures: Russia imported each year about £280,000 worth of sickles, almost all of which came from Germany. It was the same with surgical instruments, with optical and physical apparatus; while of plant for the electrical industry 86 to 90 per cent. came from Germany; 85 to 93 per cent. of the materials required for printing and lithography, 64 to 99 per cent. of industrial machinery, 90 to 100 per cent. of chemical and pharmaceutical products, 97 per cent. of quinine, and 99 per cent. of Iodine (Gayda).

It should also be noted that three-fourths of the textile and metallurgical production of Russia, the entire chemical industry, the breweries, 85 per cent. of the electrical undertakings, and 70 per cent. of the gasworks are German. The manufacture of chemical fertilisers, connected with the formidable resources of the agricultural development of Russia, is already entirely mortgaged. Before the war 90 per cent. of

the shares of the Russian companies formed for the prosecution of these industries were in German hands, and the Germans alone provided the semi-manufactured raw materials which could enter Russia under a low tariff.

From this brief statement it will be observed that whether by reason of the German ownership of Russian soil, or because they were imported directly from Germany, the products of prime necessity were, at the beginning of the war, in German hands. These were products which placed Russia at the mercy of the country which provided them: the factories might be shut down, and a commercial or military conflict might interrupt importation. Well, the war has produced such after-effects.

In the first place came the abandonment, the closing down, the *sabotage*, in a word—and sometimes in fact—of the Russian factories in Poland. And this suggests another consideration: that Germany had favoured the industrialisation of Poland principally because that province was adjacent to her frontier, and therefore extremely convenient. If Russia had of her own initiative established the factories which she had need of, she would not, perhaps, have localised them all in Poland, the more so as the military policy of Russia in respect of her western frontier presupposed the abandonment of the Polish salient, and concentration behind Warsaw (but the necessity of alleviating the German pressure on the French front led the Russians to advance into East Prussia and to defend the Polish frontier), and the German invasion would not instantly have reached the vital centres of Russian industry.

Secondly, importation was arrested, and Russia was

isolated—by the vicissitudes of war—even from the Allies who could have provided her with supplies, and was obliged to attempt an unsuccessful improvisation, or else to accept serious deficiencies in her defence.

And indeed, when hostilities commenced, the laboratories and the stores of the hospitals—to take an example—proved to be emptied of their precious supplies. Not only this, but certain great tragedies which befell the Russian Army in 1914 and 1915 were due to *non-military* German causes; to military espionage, to the criminal Germanophilia of Ministers and Generals, to bureaucratic waste, and to the wholesale speculation of the money that France had given to Russia in order that she might complete her military preparations, after the conclusion of the Franco-Russian Alliance, by building fortresses and railways. All these factors tended to the discomfiture of Russia, but especially fatal was the economic and industrial dependence of the nation, particularly in the matter of mines and foundries and ironworks. The factories still existed (and among them—and how numerous they were!—those of the Polish region), but there was a lack of the capital, the technique, and the workers required to carry on these industries. Capital could be found, but not the technique and the craftsmen. And Russia—that child of industrial civilisation—was certainly not in a position to fill their places with her own men; in no European country did the problem of industrial mobilisation appear so vast and so insoluble. Russia was forced, in big things and in little, to rely on what she had ready at the beginning of the war, and she had not many things ready, because Germany had of

late taken pains to limit the industrial production of Russia, over which she exercised the rights of control or ownership, to the requirements of the day, so that no reserves should be collected and employed against her. If we insist on the example of Russia it is because the scandal assumed gigantic proportions in that country. The military insurrection of 1825 upon the accession of the Tsar Nicholas did not mark an hour of greater peril for the internal cohesion of the Russian State. We are not referring to hypotheses or deductions of our own, but to documentary revelations such as those of Kvostov, the Deputy for Moscow, appointed Minister for the Interior in October 1915. We learn from these that the disturbances and the unemployment which occurred in Moscow after the fall of Lemberg were organised by German agents paid by the German banks in Russia; that more than half the shares of the Bank of Siberia belonged to the *Deutsche Bank*; that the Russian Bank for Foreign Trade, the *Mezhdunarodny Bank*, and other lesser banks mortgaged to the Germans, had created "corners" in various products, and had retarded the production of munitions by refusing coal to the factories. Kvostov had already demonstrated in August 1915 that half the shares of the largest establishment engaged in the manufacture of arms—the Putilov factory—were in the hands of the Skoda Company of Austria, and that the factory was closely connected with the house of Krupp; he revealed the fact that many of the workers had been dismissed from the Putilov workshops, while others had been reduced to working five hours a day, when industrial production should have been intensified in view of the national defence. It was natural that these

revelations—which gave emphasis to the distressed inquiry made by Holstein in 1914: “Is Russia to become a German colony?”—should have excited the Russian people to reprisals directed against the Germans and their property. To avoid such disorderly action as must have involved the persecution of many Russians bearing German names (the descendants of the German colonists called to Russia and favoured by Catherine the Great) the progressive blockade was constituted, which should have proceeded to effect the methodical expurgation of the Germans from Russia. This expurgation is now more than necessary, if to the stupendous revelations of Kvostov we add that even now, in the midst of this enthusiastic redemption, the police of Moscow dare to conceal notorious Austro-German spies, and hinder the already decreed liquidation of businesses belonging to the aforesaid enemy subjects, while in many provinces the authorities are delaying the repatriation of German colonists (also ordered by decree). Lately, moreover, it was known that Russian bankers and officials in the Ministry of the Interior<sup>1</sup> were surreptitiously acquiring the enormous possessions of General Hindenburg in order to subtract them from the measures of the Government.<sup>2</sup>

Studying her peculiar crisis in the light of these facts, Russia perceived what had been and was being perpetrated against her by the men whom Berlin, Frankfort and Hamburg had sent to organise her;

<sup>1</sup> In the Ministry of the Interior, according to the figures for 1912 (Frenkel), there were 88 Germans in the Council, the Chancellery and other departments.

<sup>2</sup> And if the sale was authentic several hundreds of thousands of roubles were sent to Germany, despite the prohibition forbidding the despatch abroad of more than 600 roubles

she saw—to use Pascal's phrase, "Whoso kneels ends by praying"—that the German industrial banks had craftily or arrogantly forced her to kneel. To kneel, in order to pray that Germany would maintain her friendship or receive her into her peace, the *pax Germanica*. Russia did not pray, it is true, and is struggling with all the tenacity of her frame, with the inexhaustible energies which have made her too big a mouthful for the German gullet, accustomed as it is to swallow nations; but when the moral and military balance-sheet of the war is made known it will show that the Russian sacrifice has cost a hundred times more than was necessary. It will always remain a most melancholy warning, that gigantic retreat from Warsaw to the Dvina, in which behind every armed Russian soldier there were two unarmed men who were waiting until he fell for the single rifle, that they might continue the struggle. And other legions of heroic *moujiks* consented to enter the trenches and to fight with fists and knives against an army which nine times out of ten came off victorious by reason of the crushing superiority of its complicated and fantastic armament, an army guided by the engineers of Lodz and the makers of industrial Warsaw.

Let us descend into the twilight of a Europe at war, or anticipating war, and we find there, besides the heroism of Serbia, the double-dealing of Bulgaria, the ambiguity of Greece, and the uncertainty of Roumania. It has been said and repeated that the diplomacy of the Quadruple Entente is responsible for this double-dealing and ambiguity and uncertainty; that it was unable to promote a good and energetic policy which would have frustrated the



Balkan plots favoured by the enterprise of the German agents. This is true, and it is also true that in the Balkans more than elsewhere the German system of dynastic relationships, feminine influence, and ostentatious corruption in the field of journalism and politics has had full play. It is also true that the powerful and pre-arranged military intervention of the Entente at the beginning of the negotiations at Constantinople would effectually have counter-balanced the underhand dealings of Germany. But this does not affect the truth of our assertion that the economic mortgage imposed by the German group upon the Balkans (directly or through Austria) was the foundation of the Balkan rally to the Central Empires.

The Bulgarian *volte face* is characteristic. In Bulgaria, in the midst of a predominantly agricultural population, a plutocracy came into being; not large, but very powerful, dating its fortunes from the fairly recent origin of Bulgarian industry and finance. But the men thus enriched were not the initiators of this new element of the national life; they were only participators and performers of the second rank. Bulgarian industry was the successful creation of Austro-German finance, which established itself in Sofia, to carry out there also its plan of expropriating a people for its own profit. The complex and powerful financial organisations of Bulgaria are no more than so many branches of the great banks of Berlin, Vienna and Budapest. It was the *Diskontogesellschaft* and the *Bleichröder Bank* which founded at Sofia, in 1905, the Credit Bank "intended to facilitate the development of Bulgaria and its relations with Germany"; it was the Commercial Bank of Budapest which, with

the innocuous (?) aid of the Paris and Netherlands Bank, gave life to the General Bank of Bulgaria. This great bank, whose origins were openly or secretly German, has promoted various industrial enterprises in Bulgaria, financing them in so far as they offered a good return to the "brain" in Berlin and a solid political platform for eventual "Balkan questions."

Of course, it interested in such undertakings the more malleable and Germanophile public men of Bulgaria, who now form that plutocracy of which we have spoken; a plutocracy which naturally strives, from attachment, sympathy, and personal interest, to steer the destinies of the country toward the Central Empires. At their head, indeed, was the wealthy and astute M. Tontchev, Minister of Finance in the Radoslavov cabinet, a faithful German agent in Sofia itself, and whom we have reason to remember as the principal negotiator of the Austro-German loan to Bulgaria. Bulgaria's hatred of Serbia was nothing but the providential match with which the German-Bulgarian group kindled the furnace of the new war, in which Bulgaria is allied even to that Turkey against which King Ferdinand raised the Balkan crusade in the name of the interests and the faith of the oppressed Christians!

Beside Bulgaria the traitorous is Roumania the hesitating. Military reasons for her hesitation assuredly existed, for the invasion of Serbia was a fact, the impotence of the Allies before Constantinople was a fact, their inability to constrain Greece was a fact, and the recovery of Russia was plainly still remote.

But reasons of this kind no longer existed when Russia was triumphant upon the Hungarian slopes

of the Carpathians and Italy promised to intervene simultaneously with Roumania, thereby diverting the enemy forces from the new Roumanian front.

And even then hesitation prevailed. And now on hesitations of a military kind are grafted the still vigorous reluctance of the neutralists to abandon their neutrality. How is this? It means that in Roumania too the industrial banking group of German origin brings pressure to bear upon the Government, and through its newspapers, in order to neutralise the popular sympathy with the Entente. The King of Roumania, it is true, telegraphs to the King of Serbia words of sympathy and good augury in his tragic exile; but nine-tenths of the Roumanian yield of petroleum is in German hands; Take-Jonescu, Filipulescu and their group are striving for war, which would restore to the country the Roumanians of Transylvania, but their efforts are hampered by a parliamentary clique of bankers who control the General Bank of Roumania, founded in 1895 by German bankers, who have opened branches in Braila, Constanza and Craiova, and there work hand in glove with the branches of the old house of Marmoresch, Blank & Co., turned into a public company, by the *Bank für Handel und Industrie* and the *Berliner Handelsgesellschaft*. What signified the great "interventionist" demonstrations in Bucharest when the military credits, the mobilisation, and the gigantic supplies required by a modern war were refused or subjected to *sabotage* by the mortgagees of Berlin and Vienna? In February, 1915 a Roumanian politician said to a representative of the *Gazzetta del Popolo*: "The Roumanian bourgeoisie is non-existent or almost so, because it is derived

from the industries, and the industries and banks are an Austro-German fief."

Russia, Bulgaria, Roumania . . . why not Serbia? And here is the best proof of that German control which it is our object to prove. \* Serbia, temporarily lost in the hazard of battle, was free from any German mortgage, and she was therefore more ready to rise, and will be more ready to help herself when she has reconquered her independence. She is the only Balkan country which had some perception of the anti-Balkan burden of the German mortgage, and, having firmly determined to defend her own political independence, she first defended her economic independence. Yet she received rude assaults in the past, intended to chloroform and annihilate her until her rugged and indomitable people should be ready to form a docile arch of the Balkanic bridge which Berlin wished to build between Europe and Asia, in order thereby to avoid the great ocean highways which were still held by England. Rude assaults they were, and delivered in great style, the salaried leader, broker, and attorney being the King of Serbia himself, King Milan. To him were due the power of the Serbian Credit Bank, the intrigues of the Andrejevic Bank, the audacity of the *Austro-Orientalische Handels-Museum*. These were the days when Austria, ready to descend upon Salonika, was obtaining control even over the associations of the Serbian peasants.

In 1892 came the denunciation of the Austro-Serbian commercial treaty, and the beginning of that fierce struggle with which we are all familiar; an unequal struggle for little Serbia, but in 1906 it was Austria who made the first step toward a settlement.

She offered Serbia a new treaty. The conditions were simple; it would suffice that Serbia should obtain her railroad material from the Austrian Iron-workers' Trust, and her guns from the Skoda Company. But Serbia, although exhausted by her economic struggle, understood the insidious nature of the bargain, responded with a patriotically emphatic negative, and gave her contracts for military supplies and railroad material to the Creusot Company: the Creusot Company, which does not make a political matter of industry, and does not despatch spies with its guns (as Germany did with the aeroplanes sold to Italy, when the spies soared into the skies of Venice in our aeroplanes, and from above—if they were not imbecile—photographed Venice and the coast-line for future reference); the Creusot Company, which did not design its wares to provide a means of controlling and almost of obtaining the command of the Serbian army. And later on, when Serbia, emerging into a new economic life, was thinking of founding an Institute of Italo-Serbian Credit, and we offered her an understanding with the *Banca Commerciale* (let those remember it who regarded as mistaken our struggle against the *Banca Commerciale* as it was at the beginning of the war), the Serbian reply was a valuable lesson to those at the head of the department of Commercial Affairs in the Foreign Office, who had made her such a proposal: "To deal with the *Banca Commerciale*," replied the Minister Michailovic, "is as though we were to turn directly to Berlin."

It is a curious fact, but it is true, that Serbia—the least European, perhaps, of the Balkan States—showed by her conduct that she had understood

better than we the political substratum of the German world-economy.

Of Turkey we shall not speak. Day by day that country has afforded the miserable spectacle of its molecular disintegration as a national organism by the action of the tenacious and determined economic policy of Germany, which profited by the Anglo-Russian rivalry to construct the Bagdad Railway.

Not even by leaving the Balkans do we lose the trail of the German article forced upon the most remote and most unfriendly peoples.

Not to speak of the oscillations of Scandinavia and the crisis in Switzerland, what other lesson than that already expounded do we deduce from the rather pitiful spectacle presented by the United States, where the only response to the Dumba scandal and the criminal attempts against military and industrial establishments is a more than longanimous acquiescence in the submarine campaign, in which America is losing not only her ships and the lives of her citizens, but also her prestige and her importance as a great nation? There, in the great home of business enterprise and energy, it is suddenly discovered that ten millions of neutralised Germans are imposing their will upon sixty millions of American citizens. Not being able actually to convert the United States to the German cause (as they hope to do one day), they have created a sort of governmental paralysis which has left the mind and the brain free, but has permitted neither movement nor action. And they could do this because for very many years—foreseeing this war, or an attempt at intervention in Brazil—they had inexorably and deliberately gone place-hunting for the high offices, for positions on

the executives of the Stock Exchanges, and for Governmental positions of trust, and had thereby built up an extremely large *clientèle*, a sphere of impregnable influence, a whole German *hinterland* within the colossal financial organism of the United States.

This economic infection, and, at the same time, the surrender of plans of fortifications, and of the fleet, of military projects, and of telegraphic ciphers, and, as we may perhaps see to-morrow, the forcible direction of Governmental opinion toward the treacherous quagmire of Mexico rather than toward the violation of the laws of humanity by Germany, have so far resulted in the stupendous ambiguity with which America has with such magnificent abundance fed the unfortunate inhabitants of invaded Belgium (while the American colonies in all parts of Europe have given men, money, hospitals, and sympathy to the Entente), although the Washington Government has been indirectly helping Germany by tolerating the campaign of piracy even to the scathe of its own citizens.

These are—to touch upon the chief points only—the lessons to be drawn from two years of war and the vicissitudes of the belligerent and neutral peoples.

Now we see that these two years of warfare have not been enough to terminate the vast expenditure of life and wealth. Yet only one side puts forward proposals of peace: the side which, confined and encompassed like a wild beast (and which over and over again has displayed the cunning and the ferocity of a wild beast as well as the useless cruelty and the sinister laughter which we do not find in beasts of

prey), not only feels that its stupendous initial projects are doomed to failure, but that the territory which it already possessed is at last undermined. The others, the assailed, who are still defending themselves until they in their turn shall attack, keep silence, and disdain these fallacious proposals. And the conflict, which seems now to be concentrated upon Verdun, where the French are fighting for Trieste and Warsaw, just as we Italians, in the Dantesque circle of the Carso, are fighting for Paris, Belgrade and Antwerp—for liberty may change its name and its abode, but is yet omnipresent, and is ours, under any name and any sky where it lies imprisoned—the conflict becomes every day more extensive. The war is seeking its mark, its limit; it surges from the Homeric retreat of Russia to the illusory Balkan “bridge” between Europe and Asia, retires from Suez, spreads to the sea from Durazzo, quiets down in Galicia, waxes fiercer in Champagne, dies down on the Isonzo, despairs of Calais, makes an attempt upon Persia, probes the Roumanian frontier, and asserts itself in the Tagus. And there is no weariness—as yet—whatever may be invented as to revolts in Berlin; there is no wish for peace—as yet—whatever the extremists of ideological pacifism may attempt; or Socialism, exasperated by the resurrection of nationalism.

“There is no peace; there is no peace as yet in men’s minds, nor is any possible, because the war has not yet fastened upon all those who must pluck their future destinies from the war.

We are, it is true, approaching the numerical equilibrium of the combatants, and to-morrow, at Verdun, Gorizia, Salonika, or Cracow the scales will



swing in favour of the Entente; and ever more and more, until victory is bound bleeding to our chariot; but this will not be until all the elements and combinations are concerted which are necessary for the solution of the problem for which the limits of Europe will no longer suffice. Why, then, do those nations which are out of the war hesitate to draw the sword? Are they afraid or are they traitors? Do they delude themselves by thinking that their best chance lies in not daring, or do they hope secretly to obtain compensation by some hateful bargain? Are the peoples deceived by their rulers, or is it that they cannot rely upon their subjects for the valour and resistance which would spell victory? The anxiety of the remaining neutrals is made up of a little of all these factors in varying proportions, but above all it is fed by a Germanic infection of thought and activity with which the business men and politicians of Germany are poisoning their formerly sound organisms. Some have banks which hold them to ransom, and others have Parliaments which deceive them, and others yet possess kings or queens who speak German and do not permit the people to take part—as we did: but our King was with us, because he was of our race—in decisions of supreme importance. It is chiefly the banks and industries which constitute the impediment which fetters the impulse toward intervention in certain countries, and in countries which have already intervened they form, in the same way, almost a worse impediment, because in these countries the war is at least not so vast and so intense as to destroy, within and without their frontiers, the economic organisations of German origin. Who will deny that Germany is far-sighted? Who will deny

that in the depth of his heart some one among her most far-seeing politicians may not already reckon upon the military bankruptcy of Germany? And having considered the outstanding debts of the German administration, may he not even now be attempting to save and to augment the credit side—namely, that “civil incrustation abroad” (as Daudet calls it) which, if it is not thrown into confusion by the war, may be for Germany the secure and ample platform for her resurrection on the morrow of her discomfiture? No one imagines—I hope—that the Entente could or would expunge Germany from the map of Europe, and those many millions of Germans who have given proof of so many negative qualities by their civil cohabitation with other peoples have given proof of as many positive qualities by their competition with other peoples. That is, they have in themselves all the elements of success and of development which are peculiar to young peoples when they appear, in the course of the world’s history, to direct it or to mark their impress upon it. If, then, we take the certainty of success into our calculations (and even the most prudent of men, such as M. Ribot, admit that it is henceforth not remote) we must reckon among the calculations of the Germans the certainty of resumption—they will begin over again.

To live? Who will deny them this? To prosper? Who will deny them that? To spread their expansive energy through the world? Who will deny them this, either? But perhaps, but assuredly, they will begin again—because it is in their blood and bones—to undermine, to invade, to force themselves on others. And this must be denied to them.

And we are not yet ready for this. Not even we, to whom the example of Belgium and France was a most poignant lesson; not even we, to whom diplomats, ministers, and certain patriotic financiers have told the secret—the “German secret”—of so many of our colonial failures, of so much of our political and financial servitude. Not even we are ready! The whole circle of German affairs in Italy is still intact; the names are changed, and those that *lend* their names as well; the names of the old firms are painted out, and through the weakness and complicity of many persons the falsest patents of nationality have been obtained by German men and German enterprises. Scandalous frauds have been committed; the workers in the German foundries have been sacrificed, but the directors and beneficiaries have escaped. I am not speaking of espionage; I am not speaking of the monstrous episode of the German Kung, who until a short time ago was procuring the *sabotage* of projectiles intended for our army at Saronno, which made it an easier task for the enemy to defend his trenches, which these projectiles of ours ought to have smashed to pieces. The German Kung was managing, in war-time, and under the eyes of the Government, one of the auxiliary establishments of the Army. It was an enormity—but I am not concerned with this. This must be placed in that inevitable category of criminal but isolated blunders such as invaded France also has suffered and is suffering from.<sup>1</sup>

I am not speaking here of an isolated offence, but of the whole Italian state of mind, which is inferior to the gravity of the present situation. Such a

<sup>1</sup> See *L'invasione tedesca in Italia* (4th ed., Bemporad, 1916).

situation has two aspects: the temporary military aspect, which the wonderful and unconquerable energies of our soldiers are resolving, and the permanent aspect, which already stands out against the peaceful future, and which is the economic aspect of our war. We do not sufficiently consider this aspect. There are complaints because Gorizia is not taken; Gorizia, which is a name, even if a heroic one; but there is indifference as to the political and moral insufficiency of the Government and of the people, who allow foreigners driven out of Monfalcone or Bezzecca to re-enter by way of Switzerland, in order to reorganise, rebuild, and amplify the German economic scaffolding within which the "Third Italy" has been suffocated for forty years.

This is the danger; not the delay on the Isonzo!

When the Minister Cavaola told the Chamber (in March 1916) that he had sought in every way to favour agriculture in this year of crisis, but had been brought up short by the absolute lack of any national manufacture of agricultural machinery, he told us one item of the truth which I am here illustrating: we have improvised this war because we have the great Latin faculty of improvisation, but we have had to improvise at every step, and this was extremely perilous, and might have been fatal.

We have stumbled upon lacunae every day, we have discovered that the Germans allowed us to organise everything—under their control—but in every department of economic life they took care to reserve for themselves the exclusive use, the exclusive production of *something* indispensable, with which, on the breaking out of war, they would not supply us, and with which they will not supply us in future.

Now, as long as we do not understand this, as long as we have not employed every means to obtain an assurance from the Government that this shall not happen again—within the limits of the possible—and that an economic system of our own shall be created and protected, we have not the right to speak of military results or of deserving peace.

Hughes, the Prime Minister of Australia, of that youthful nation which is twenty years ahead of us in the matter of social legislation, and which, in its remote Southern seas, has understood and has collaborated in the inevitable struggle of civilisation against the asphyxiating German hegemony, said some little time ago—

“It is no longer possible to maintain that the economic policy of a nation has no relation to its national policy. The relations between the two policies are indestructible, intimate and complex. This fact is fundamental. To ignore it means not only to provoke but to ensure national disaster. For a certain period the commerce of a nation which treats commerce as though it had no relation to the national security may prosper, as has happened in our own country; but the day of reckoning comes for that nation, as it has come to us.”

These words we must repeat to ourselves. And to-day, while we are at war, we ought, as far as we can, to require the greatest sincerity—which to-day we have not—in the national economy; the greatest rigour—which to-day we have not a glimpse of—in our economic policy; and the greatest fervour—and to-day there is very little—in the extirpation of all German handiwork in our house. This must be done; this must be repeated to all those who are

already beginning to maunder about moderation toward the conquered, and our future friendship for the enemies of to-day. *We do not ask for hatred; we ask for remembrance!* We demand that we shall not, because we are pitiful to the oppressor, be pitiless to our own future, to our dead of to-day, every drop of whose blood ought to be counted and adored with a clean heart. It is not true that we are willing blindly to prolong the war because we want to suffer and to deserve the great things that other peoples have suffered and deserved. We desire only this: that as war has an aim, that aim shall be such as to be in proportion to the immensity of the effort accomplished. Let peace come, but let it be such that the poets and peasants and warriors who have fallen in their thousands shall not cry from the immense tomb which the eastern plateau of Italy has now become their anguish at having died in vain. The curé of Aspern, the cemetery in which the French and Austrians fought on the day of Wagram, half up to their knees in blood, told Balzac, when he visited the place twenty years later: "It was the time of great sufferings and of great promises, but then, suddenly, came the time of great forgetfulness." We will not have that. We desire that above the horrible thing that death has become—a masked horror, asphyxiating or mutilating those in the trenches—this lamp of poetry shall at least shine forth: that our dead shall have died for the positive interests of the race. Then only we shall welcome with immense joy the Peace that comes hastening at the great appeal of Victory, because this Peace will yield herself to the nation, still bleeding but truly liberated—free in mind as well as in body—to the

people still suffering from their vast expenditure, but already rich with the true wealth, which is not that which a nation appears to possess, but that alone of which it can freely dispose, because it has created it directly, and has utilised it according to its own interests.

# THE GERMAN BANKS IN ITALY

(1894—1916—19 . . . ?)

## I

### BEFORE THE WAR

THE whole theory of the foreign banking policy of Germany is synthetised in these words of Siemens' : "Every bank and every railway established in a foreign country is the pioneer of the national industry and the starting-point for uninterrupted relations between that country and Germany. The days have gone by when good political relations could co-exist with economic antagonism." The truth of the matter confers a delightful savour of irony on these "good political relations," which is accentuated by the exclusion of "economic antagonism." We cannot, in fact, deny that with the German system of industrial banks economic antagonism is abolished. The exercise of antagonism demands the existence of two opposing forces. As in every country in which her banks were at work Germany substituted her own economic interests for the economic interests of that country, antagonism (at least in practice) no longer existed. Apart from this nonsense, this statement of Herr Siemens' signals an important truth : it is enough for Germany to possess a railway or a bank in a foreign country, and she can establish



"good political relations." By "good political relations" we mean good for Germany, of course. . . . But we will not anticipate; let us take Herr Siemens literally. The national industry of Germany, then, follows the German bank. First the banker, then the manufacturer. After these two the spiked helmet of the Uhlan should make its appearance; but this Siemens does not mention, as it is not expedient for him to do so, and the German never says—at all events in time of peace—what is not expedient. We will say it for him.

Then there are the characteristics of the German bank in its principal attribution, which is to precede industry and open up the way for it. The history of German banking, perfectly well known because still fairly recent, lends itself wholly to this conception.

Banks and bankers in Germany were not, it is true, born on the morrow of Sedan. A tradition of banking already existed at that time, and it was a perfectly honourable tradition; since 1820 the bankers of Frankfort—as far as we can see—had issued loans, yet routine held them to a slavish preference for operations on commission, and this as lately as 1875, and even down to 1900, so that until yesterday the Frankfort banks kept austere aloof from the vortex of the great industrial banks. However, the other German banks, until 1850, led the strict patriarchal life of Frankfort, and could not have done otherwise, since at that time Germany had the prevailing character of an agricultural State. Thus Germany, in the matter of shaping herself, and in the preponderance of personal property, was considerably in the rear of Holland, France and

England; railway shares and personal credit establishments were the first to attract the attention of the public and to absorb its capital.<sup>1</sup>

But this backwardness was to be made up for by the unbridled course which German capital was to take in its new incarnation, directly influenced, and indeed almost driven, by the banking organisations, which from 1872 onwards were incessantly transforming private enterprises into public companies, increasing the capital of companies already flourishing, and promoting fresh companies, with a view to the prompt issue of shares of which they could dispose to their clients at a good profit. Reduced to figures this frenzy becomes sensational. Between 1885 and 1889 there were issued, on an average, every year, industrial shares to the value of £70,800,000; between 1890 and 1893 this figure rose to £75,100,000, and between 1896 and 1900 it was £95,300,000, which meant that the value of shares issued in sixteen years amounted to £1,200,000,000 and more. This plethoric activity brought about the crisis of 1883 and that of 1890-91, which were followed, in vain, by laws controlling the activities of companies, Stock Exchange regulations, and legislation affecting the Exchanges. For

<sup>1</sup> For further details as to the origin of the wealth of the German banks we will refer the reader to André S. Sayons' article on German banks, published in *La Riforma sociale* (1899). Sayons is a political economist who is not always quite unbiased in his appreciations, but is extremely well informed. When the truth about the present financial conditions in Germany is known (that is, in a few years' time) it will be very interesting to compare it with the predictions made by Sayons in another article of his: "*Les banques allemandes en cas de crise ou de guerre*," published in the *Revue d'Economie politique* (1899).

the rest, it seemed as though some fatality of success were protecting this sphere of Germanic fervour, for the crises were overcome so rapidly, and their consequences happened in the main to be so fortunate, that there was no cause for lamentation because the restrictions of the law were so little felt. The small capitalists in a crowd abandoned their Consols and public stock in order to throw themselves into the more complicated turmoil of industrial enterprises.

It really seemed as though destiny had decreed the triumphal success of German industry despite all obstacles, and that it therefore found any degree of confidence legitimate and any means of increment normal. Now, since capital and labour were naturally divided by a barrier, nothing was more equitable—as they were forced to come into contact by the rising fortunes of Germany—than that an intermediary should arise to beat down this barrier and favour their collaboration. And this was the task of the German financiers, who by means of the banks obtained from private sources the necessary means to create and sustain the nascent industry of Germany, and these means they passed on to the manufacturers. Our public is not accustomed (fortunately, perhaps, it will be said, when peace is concluded) to German banking methods in connection with the carrying on of industries. Our banks are subject to continual and multiple restraints, which certainly limit their national function rather severely, but which, on the other hand, exclude dangers so serious that perhaps the pressure brought to bear by German finance in favour of the present war might be attributed to the necessity of avoiding them, and there-

fore—in a certain sense—the partial responsibility for the war itself might be attributed to the same cause. With us—and in France more than with us—the establishment of such a state of affairs is impossible. On the other hand, we must nevertheless admit that the prodigious power which German industry has acquired in the world, almost without striking a blow, hails and honours as its creator and protector the German banking system, which is so powerful, so well organised, and so ultra-modern audacious. In 1870 Germany contained only eleven shareholders' banks, with a capital of £4,815,000. And now here are some recent figures (1908) which will therefore be accepted by every one with a considerable percentage of increase. Apart from the great private banks, such as the Rothschild, Bleichröder,<sup>1</sup> Hansemann and Mendelssohn establishments, there are fully 480 banks issuing shares to the public, with a total paid-up capital of £170,000,000. The most powerful of all is the *Deutsche Bank*, which has been called "an empire within the Empire," with a capital of £10,000,000, greater than that of the Bank of the Empire itself—the *Reichsbank*, with its capital of £8,800,000.

The *Hochbank* is constituted of six other banks, three of which have their central office in Berlin. The four largest are commonly called the "D Banks," because their names begin with that letter: the *Deutsche Bank*, the *Diskontogesellschaft*, the *Dresdner Bank*, and the *Darmstädter Bank*; the other two are the *A. Schaaffhausenscher Bankverein für die Kolonien*, and the *Berliner Handelsgesellschaft*. The total capital of these six great institutions, which have

<sup>1</sup> The originator of the *Banca Commerciale Italiana*.

a large network of branches all over Germany, is more than £44,000,000.

Now, when we mention any of these names we are implicitly naming a whole group of German industries (with a whole bewildering complex of affiliations and *transformations* in foreign countries), which derive their origin, their very solvency, and their management from these banks. Reciprocally; in speaking of this or that industry—if we except a few of the most gigantic which have already emancipated themselves from the tutelage and support of the banks—we are speaking, implicitly again, of one or other of the great banks, and taken all together they represent the imposing majority of the savings of the German people. The spectacle is certainly impressive in its great outlines; not unlike that of the Temple of Moloch in d'Annunzio's *Cabiria*. To create a great industry traditions of experience and solidity are required, and these necessary qualities are almost always innate in a people and a period notoriously deliberate, because industry, being on firm foundations, erects its edifice gradually and without shocks, enlarges it, and regards the future without fear, knowing that it is well protected.

Now Germany found in her people the most excellent industrial qualities, but not the traditions; she was sure of her industrial future, but this assurance was entirely a moral assurance, which is often incapable of being utilised as a force without the help of other forces. Above all she lacked time. She saw all about her the struggle for markets proceeding from expansion and violence to a state of paroxysm, and she knew that her shoulders were broad enough to enter the struggle, but that the other combatants

had had plenty of time to make their way, and when Germany had contrived to take her place among them, with the secret probability of overthrowing them, she would have found them, perhaps, already at the goal, masters of all outlets, and therefore almost certainly unassailable.

There was, we may say, a *time-limit* in this great race between the peoples. Germany possessed, however, a potent factor of victory: money, a factor not unconnected with the war contribution exacted in 1870. And Germany decided to substitute money, as a factor, for time.

To do this she had to abandon the patriarchal methods of Frankfort, and to content herself no longer with the modernised but still "family" systems of Paris and London; that is, it was necessary that every industry should, at its origin, not by a process of gradual and rickety development, but suddenly, find at its disposal the capital needful to procure raw materials, and to attain, immediately, a production equal to that of the most mature and extensive foreign industries, thereby distributing its products over as great an area as the latter, or even excelling them, and to purchase plant on that enormous scale which alone permits of certain colossal systems of production.

The only way to do this was to open an unlimited credit account for the benefit of industry and commerce. This was enough to shock the entire tradition of the banking world! Still, the German banks threw themselves with all their dead weight into this adventure, setting the banks of Prussian Rheinland, Saxony and Schleswig an example.

But we should not have used the expression "dead

weight." The audacity of the originators of this system of "industrial banks" was equalled by their competence and their constant vigilance. Speaking of the *Bergisch Maerkische Bank* (a well-known provincial bank in the Rheinland), M. Sayons writes: "Its directors understand how to *study the balance-sheets* of the firms which ask them to open a blank credit; they require, when needful, the production of the books of the business, and of all necessary documents, and they form a decision without allowing themselves to be too greatly influenced by the importance of figures, but above all they take into account the relations between one set of figures and another, the intelligence and integrity of the directors of the undertaking, and the probable future of the trade or industry in question."<sup>1</sup> That is, these German bankers know equally well how far the coffee-crop in Guatemala is likely to be favourable, and what a skilful—that is to say, dishonest—"arrangement" of figures has been effected by a metallurgical industry which is asking them for fresh credit; they intuitively perceive the master of industry in a cast-off and victimised inventor, and they know just when to refuse credit to an industry which is doomed to ruin.

Some bankers—according to Sayons—do more; in the event of imminent danger, but in due time, so that the operation shall not be legally void, they obtain guarantees which give them a privileged position with reference to the bulk of the creditors. This is a system in current employment in Germany, but

<sup>1</sup> See Sayons, *op. cit.*; also "*La concentration du trafic de banque en Allemagne*," *Journal des Economistes*, 1898.

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which we assuredly do not mention here to the credit of the German Banks.

At the beginning of 1905 Germany possessed 5482 shareholders' companies, with a total capital of £40,763,500; of this more than respectable total capital the great Berlin banking-houses possessed £29,750,000. In the five years between 1900 and 1905 the *Deutsche Bank* took a hand in 258 fresh enterprises, of which 27 were concerned with navigation or transport, 54 with various branches of metallurgy, and 14 with electricity, etc. And these figures date as far back as 1905; that is, they do not include the increasing impetus exhibited by the banks up to the beginning of the war. As Maurice Lair observed in the *Revue Bleue* (1906), these great financial institutions were then gradually specialising. Thus the *Deutsche Bank* has gone in for Transatlantic steamship companies, metallurgy, and electricity; the *Schaaffhausenscherverein* for mining industries; and the *Dresdner Bank* for chemical or textile industries.

Thus financed, supported, and controlled, even against its will, the enormous growth of German industry loses the fabulous character which it assumed when seen from a distance. The house of Krupp would have gone bankrupt a score of times if the *Berliner Diskontogesellschaft* had not a score of times imperturbably produced fresh millions in order to overcome crises that were truly crises of growth.

And thus the Thyssen foundries—to-day perfectly secure—were saved by the banks, and the Beyer manufactories of chemical products at Heidelberg, which to-day yield the banks which assisted them a dividend of 33 per cent.



It is the same with commerce.

At Hamburg the bankers accommodate merchants with advances so considerable as to be almost equal to the actual value of merchandise still in transit, or lying unsold in the warehouses, while to the cotton-dealers of Bremen the banks lend up to the total value of the cargoes of cotton to be imported, and, moreover, allow them to open unlimited credit accounts as well.

Sometimes the German banks have engaged in industry directly, without any intermediary, with a degree of intuition which was wanting in private investors or technical experts; for example, the banking house of Behrens and Sons in Hamburg suddenly bought up the annual coffee-crop of Guatemala, and made a handsome profit.

The organisation of these intimate relations between the banks and the manufacturers, of this wholesale investment in industrial ventures, is inspired by two technical criteria: by the ever-increasing elasticity of the means of action and by the rapid returns of the capital invested in a business. It is needless further to demonstrate what elements of strength are derived from these two criteria, which are almost unknown to the banking and industrial world of other European countries.

It must be added that this system is not confined to one group of great banking-houses; it has been adopted by all the central, provincial, and local banks, so that all—or nearly all—the deposits in these banks are invested in industrial undertakings, and even the savings banks have employed two-thirds—or perhaps more—of their deposits, amounting to £680,000,000, in operations of commercial or industrial credit.

Understand us clearly: we do not say that this symbiosis of banking and industry is never correct (having regard to the depositors, who are never consulted as to the investment of a portion of their deposits) or never wise.<sup>1</sup> It is possible that it is a danger, as we have already admitted, and that it constitutes an artificial phenomenon destined to end in disaster, which a victorious war would perhaps have prevented, and which an unsuccessful war will render terribly complete. This does not concern us here. We are not here considering the future of such a system; we are taking it at its point of maximum expansion in order to call attention to its efficacy, and to remark what an instrument of economico-political domination over other nations it has been in the hands of Pangermanist Germany.

It is undeniable that the German banking system, with its industrial character, should not, and could not, have limited its activities to within the confines of Germany. The whole world appeared to it as a vast natural colony in which to labour, and which it could drain of its wealth. The movement of capital is to-day so far internationalised that Germany has

<sup>1</sup> Signor Prinzivalle, for example, writes: "It is by participation in the great industries that the modern bank realises its greatest utility; not, of course, by the isolated petty banking operations which, while appearing to favour trade, often involve it in the cog-wheels of a powerful credit institution."—*La banca moderna*, Treves, Milan. But Signor Prinzivalle wrote this before the alarm had been given as to the position of the German industrial banks. To-day, perhaps, he would no longer write or maintain (after the Franco-Italian revelations as to the political activity of German banks abroad) that *banks become naturalised in the countries which they have entered!* (Op. cit.)

assumed the task of causing her adversaries themselves to collaborate in her increasing fortune. This task was at bottom becoming an urgent necessity on account of the dearth of money from which Germany was beginning to suffer, either because the banks had, as we see, invested all the funds at their disposal in industries, or because the tone of German life had changed from the old austerity of thrift to a turbulent and improvident prodigality. German shares, it must be added, had not, in spite of considerable efforts, succeeded in getting themselves quoted upon the great foreign Exchanges, and this constituted, at least as far as Paris was concerned, a serious depreciation of the Treaty of Frankfort. While Delcassé disappeared from French politics on account of his lack of foresight when confronted with the Balkan crisis, it is only proper to record one of his greatest merits: the successful struggle to prevent even the shares of the Bagdad Railway from being quoted on the Paris Bourse.

Hence, to obtain fresh financial resources the German banks initiated, where they could do so, the establishment in foreign countries of branches skillfully disguised as national and local banks, and introduced into already existing foreign banks their own confidential servants, who managed the latter and influenced their boards of directors (or spied upon them when they could not do anything else).

What the Exchanges were not willing to concede to the German banking system the latter obtained for itself, and more conveniently, through the same foreign banks. Indeed, from the time when German financiers found their way into the foreign banks, making themselves valued for their application and

their skilful manipulation, money flowed into Frankfurt and Berlin by means of operations connected with the acceptance of bills of exchange.

"Thus," writes Wetterlé (*op. cit.*), "the pocket-books of the small French investors are bulging with German securities, sought after because of the high dividends paid. Let war break out, and these French savings invested on the Berlin Exchange will never return to France."

In the second place, Germany has transported her system of banking and industrial symbiosis into foreign countries. By means of the branches of her great banks, and of individual pressure on the boards of local banks, she has little by little cast her net over the industries of the invaded countries; has participated in them directly when able to do so; has generously nourished them or slowly strangled them, accordingly as the one or the other solution was more convenient to her.

If, in short, a given industry might become subsidiary to another and a German industry, it was in her interest to support it in order that she might establish an agreement between the two, or absorb the foreign industry into the industrial organisation of Germany, so that its abundant profits might flow toward Berlin; but if, on the contrary, any industry of an invaded country constituted a dangerous and irreconcilable rival to the corresponding German industry, it was to the interest of the German banks to fetter it financially, to make it tributary to them, and at the fitting moment to refuse it credit with a brutality, an implacability, and a dexterity which would close to the chosen victim every avenue of salvation.

Such are those instances of disaster in which the honest Italian shareholder utters his regulation expression of amazement: "But what's this? Bankrupt? *And yet they were in the hands of the Germans!*" These words ought not to be spoken in future; the honest Italian must accustom himself to perceiving that the industry has failed precisely *because* it was in German hands: because it was to the interest of the Germans that it should fail.

Industrially dominated in this way, by means of the German banking system, a country is ready for political suggestion also.

On the 22nd of March, 1915, the Hon. Eugenio Chiesa presented and explained to the Italian Chamber the following "order of the day":

"The Chamber, maintaining, in accordance with the laws concerning banks of emission, that it is not fitting that Members of Parliament shall also be members of the administrative councils of joint-stock companies operating such credit establishments, invites the Government to conform with this criterion in the required provisions of general reform which it is to present concerning the legislation affecting joint-stock companies. . . .

"If these ideas are accepted we shall not again see two senators the president and the vice-president respectively of a great bank, concerning which we cannot, it is true, deny the beneficent assistance which it has given to the past industrial development of our country, but which has since become, as it were, the rope which, in the words of the old saw, supports the hanged man."

Signor Chiesa was evidently alluding to the *Banca Commerciale Italiana*, of which we shall speak later

on, but his argument is valid for all countries, for everywhere the German banks offer Parliamentarians, whether authoritative or decorative, positions—of a minor character—on their administrative councils, or on those of the banks inspired and directed by them. If these Parliamentarians are morally or financially won over to the German policy, the banks prefer to place them in evidence as being less recognisable and less suspect than a Joel or a Toeplitz; if, on the other hand, they are purely decorative, the influence of the German directors is more open, but also more direct and untrammelled.

Thus, little by little, the German banking system invades a country, wheedles it into trusting its German sagacity, implants the idea in industrial circles that in order to be strong it is necessary not to come into collision with German financiers, and that no greater fortune can befall a people than the chance of giving a power of attorney in respect of its own interests to the honest, laborious and well-informed German.

Brazil, by means of this system, became a fief of Germany. Of the Brazilian National Debt to foreign countries (£42,000,000), about one-third is owed to German bankers, and the financial and industrial activities of Brazil are dominated by the German Colonisation Society, the German Mutual Protection Society, the German-Brazilian Company, and by three lines of steamships sailing between Germany and Brazil. It was fundamentally this economic prepotency and the almost total Germanisation of a free and independent country that gave rise in Germany to the campaign for the conquest of at least a part of Brazil, and Herr Schmoller, Professor of Political

Economy in the University of Berlin, was able in these words to trace the vast proportions of this campaign and its successive stages:

"We ought at any cost to desire that during the coming century there shall arise, in Southern Brazil, a German territory of twenty to thirty millions of inhabitants. It does not matter whether it remains a part of Brazil, or forms an independent State, or enters into closer relations with the German Empire. However, without the guarantee of a chain of war-ships, without the possibility of armed intervention on the part of Germany in Brazil, such a future is imperilled."<sup>1</sup>

Thus the future of a country whose banks and industries are dominated by Germany can reside only in annexation by Germany. We see how the spiked helmet of the Uhlan follows close upon the banker and the manufacturer. Not unjustly did we accuse Herr Siemens of silence in this connection.

Germany's designs upon Brazil have already been once interrupted, but they were not abandoned by reason of this first check. Germany is not easily diverted from her path. However, it may be that when Germany prepares herself to realise her mortgage upon Brazil with the mailed fist, Brazil will turn upon her and rise against her. It is probable that the United States or other Powers would stand at the side of Brazil.

But if they did not? What economic resources would Brazil find for the prosecution of a war when all her resources are in the hands of that very enemy.

<sup>1</sup> After this what remains of the Chancellor's assertion in the Reichstag (April 16) as to the ridiculous nature of Germany's designs upon Brazil as attributed to her by the Allies?

which year by year is draining them more completely? Brazil could only beg for mercy, and even for that she could not clasp her hands, because they have for years been bound behind her back. Remember Pascal's saying: *He who kneels ends by praying.*

Are we among these nations? We must see how many pillars of its assuredly non-pacific edifice the German banking system had already erected in Italy when the European war broke out.

Let us remark at once that if England conceives of banking operations in a less modern spirit than that of Germany, she is, nevertheless, far ahead of Italy and France, in that she regards them as one of the swiftest and surest means of penetration. In Italy the idea of allowing the banks to fly the national flag in order to organise possible zones of influence abroad—we do not say of political, but at least of economic influence—to serve as outlets for the products of Italian industry, which in turn might increase its potentialities by the generous assistance of the banks, would scandalise our peaceful bankers.

The first time an entirely national banking establishment (the Bank of Rome), in collaboration with the Government, which was not indifferent to its venture, attempted, in Libya, to introduce the German method of banking, in order to create a network of Italian enterprises which should afterwards justify the political interest of the Government itself in those Turkish provinces in which Italian interest and Italian subjects did not enjoy the necessary protection, the moderate, or partisan, or simply provincial popular conscience was scandalised, and denounced the Libyan venture as a brazen and



criminal intervention of the Government on behalf of the interests of the Bank of Rome. They must have laughed a good deal in Berlin! Those who laughed least were, the shareholders, who heard it announced, at the General Meeting of March 1915, that the Bank of Rome had lost £2,160,000 over its Libyan venture.

So Germany found in this sphere, also, that the national conscience of Italy was far more honest than its reputation; but this honesty was so ingenuous as to deprive the few clairvoyant Italians of the hope that it might oppose itself rigorously to the crafty undertakings of the Germans. With us, her Allies, Germany could therefore initiate, in full liberty, through her industrial banks, her complex ante-bellum operations.

In another volume (*Il Belgio sotto la spada tedesca*) I have fully explained how and with what disastrous results for Belgium the Germans effected the complicated and inexorable conquest of the whole banking organisation of that country. I have shown that the same thing occurred in France, and I endeavoured to trace the same class of operations in Holland, but here I refer to the matter only in order to state that the methods, the period, and the protagonists of this conquest are the same even to monotony in the various countries affected, a statement which goes far to confirm the already scrupulous accuracy of much that will be said concerning Italy. .

Even when Magliani was Minister almost all the Italian railroad shares were held by German banks, but the capture of Italian industry and Italian politics was completed by Germany some time later, when, realising that German trade was being carried on by

means of the London bankers, she determined to throw off her financial vassalage before launching out upon the conquest of the world.

The penetration of the German banking system into Italy found an ally in Francesco Crispi. One cannot say that he was wrong in principle. In 1888-89 it seemed to Crispi that the only way of checking the "bear campaign" which France was conducting against Italian securities was to telegraph to friendly bankers in Berlin, so that they might oppose this manœuvre. In 1894 the French peril became acute, and Crispi saw no other salvation than "to defend oneself more closely, to defend oneself at home, even by having recourse to money from without."

Hence the telegram in which Crispi declared (on the 7th of June, 1894) to Lanza, the Ambassador in Berlin, that he would with the greatest pleasure witness the establishment of a German bank in Italy.

Hence—through the initiative of the firm of Bleichröder (at the instigation of Schwabach, the Berlin banker, and president of the Board of Administration of the *Wolff Bureau*)—the foundation of the *Banca Commerciale*, which from the Italian point of view represented merely the latest example of the inevitable and regrettable Italian method of calling one foreigner into Italy in order to drive another out. A very regrettable method; but how repudiate it when Italy had not sufficient strength of her own to throw off the yoke which, under different names and in different ways, was always weighing upon her neck?

Only now our fears find support and justification in the flourishing condition of Italy, and therefore a further acquiescence in our economic servitude,

which is no lighter than our political servitude, would in truth be criminal.

The alarm which the European War spread through the Italian market proved that the *Banca Commerciale*—that wonderful suction-pump, absorbing Italian savings—had £31,600,000 in deposit, which, according to the German method, had been largely exported to Germany. The *Banca Commerciale* therefore ran the enormous risk of having to return this money to Italy, and owed its salvation only to the providential moratorium. But the neutralists seized this opportunity to beg that neutrality should be maintained to the uttermost, in order to save these Italian millions. Now, a nation such as Italy ought not to be subjected to such a risk, nor to such extortion.

In 1894, then (if not properly in 1888), the first German banking venture was made, and by 1903 the meshes of the net were already numberless. But between 1903 and 1914 the proportions of the conquest increased by incredible leaps and bounds, toward the limit which Germany herself had defined—graciously—as the maximum yield of her alliance with Italy.

The work of enslavement effected in our midst by the powerful *Banca Commerciale* would demand whole pages of explanation, with full documentation, but Dr. Giovanni Preziosi<sup>1</sup> has published a volume on the subject which will enable us to dispense with such an inquiry. It will be enough to mention a few details. Not only is the *Banca Commerciale* a

<sup>1</sup> G. Preziosi, *La Germania alla conquista dell' Italia* (Libreria della Voce, Florence, 1915).

German creation, founded by arrangement with the *Deutsche Bank*, the *Dresdner Bank*, and the *Diskontogesellschaft*, but the Pangermanists speak of it openly as the "head of the German line of penetration beyond the Alps." In Commendatore Otto Joel, a financier of exceptional acumen and the coolest audacity, Germany found—on the staff of the *Banca Commerciale*—her real pro-Consul in Italy. Under his inspiration the Council of Administration was always so constituted that the honorary posts fell to Italians and the effective positions to Austrians or Germans. In February, 1915, hard pressed in the tremendous campaign which was conducted against the *Banca Commerciale* in the interests of the national defence, Joel contrived so that the councillors of the foreign banking group should resign for "reasons of delicacy," which, as they became perceptible only after seven months of war, seemed a little dilatory. In sheer derision the three principal heads of the undertaking—Joel, Weil, and Toeplitz—still remained at their respective posts, and by that alone neutralised the ejection of the foreign party from the *Commerciale*, and domineered over Italian industry through the multiplicity of the positions which they filled.<sup>1</sup>

<sup>1</sup> We cannot refrain from giving an example of the concentration of industrial power in the hands of the foreign directors of the *Banca Commerciale*. " Joel was actually—

Councillor Delegate to the *Banca Commerciale*.

President of the *Società Commerciale d'Oriente*.

" " Council of Administration of the *Cartiere  
Milani*.

" " *Società per lo sviluppo delle imprese Elettriche in  
Italia*.

" " *A. E. G.* (Electrical Machinery).

On the 15th of March, 1915, the *Daily Chronicle* published an anonymous article entitled, "Reply to a Roman Editor's Charges," in which occurred the following: "The *Banca Commerciale* was formed in 1895 with a preponderance of German capital, though even then by no means with exclusively German capital. In 1895 the capital held by German and Austrian shareholders amounted to 74 per cent. In 1914, however, the capital had been increased from £800,000 to £6,240,000, the amount of the bank's present issued capital, and of this only about 2½ per cent. is German or Austrian capital, the exact proportions being: Italian, 63 per cent.; Swiss, 21½ per cent.; French, 14 per cent.; German and Austrian, 2½ per cent. Indeed, not since the year 1898 have German holdings been in a majority of the capital."

This statement in the *Daily Chronicle*, whatever

President of the *Società Italiana Breda*.

Councillor Delegate to the *Società Assicurazioni Italia*.

Councillor of the *Società Energia Elettrica dell'Adamello*.

" " *Società Quartiere Industriale Nord Milano*,  
etc., etc.

His colleague, Josef Toeplitz, was—

Director of the central *Banca Commerciale*.

Councillor of the *Società Anonima Miniere di Montecatini*.

" " *Miniere Solfuree di Trezza*;

" " *Società Tubi Mannesmann*.

" " *Cantieri Navali Riuniti (Genoa)*.

" " *Società Meridionale di Eletticità*.

" " *Unione Italiana Consumatori e Fabbricanti Concimi Chimici*.

" " *Fabbrica candele steariche Mira*,  
etc., etc.

These two lists—which are *incomplete*—and which refer to directors of the *Banca Commerciale*, are sufficiently significant.

its source or purpose, confirms the principal thesis which we Italians maintain: with their modest initial capital of £800,000 the Germans of the *Banca Commerciale* succeeded in administering a perfect treasury of foreign capital—some £3,200,000—imprisoning the Italian industries in a system of fetters which was already triumphant in Switzerland and in England, and establishing themselves in a strong majority on the boards of public companies. The *communiqué* in the *Daily Chronicle* (as a sample of its accuracy, it mentioned Senator Mangili as President of the Bank of Italy (!)) proceeded to cavil at the presence, on the Council of the *Banca Commerciale*, of French and Swiss councillors as well as German. To this insinuation Dr. Preziosi plainly responds—in his volume, *La penetrazione tedesca in Francia e in Inghilterra*, of which he has kindly allowed me to see the proofs—that if it is true, and it may appear strange, that when the foreign members of the Council of the *Banca Commerciale* resigned (after seven months of war), the French and Swiss members, representing the *Banque de Paris et des Pays Bas*, also retired, this happened because this very bank was regarded in France as *not being French at heart*, and was suspected of being an agent of Pangermanism in France. But when did a German—in self-defence—do other than make the actual position clear?

The campaign against the *Banca Commerciale*—setting aside certain possible incentives which were not entirely patriotic—did in reality reveal the fact that the bank was founded by a syndicate of Austro-German banks; this was not actually illegal; but one thing—as Pantaleoni declared—was both illegal and, in the interests of Italy, deserving of censure: namely,

that "a foreign syndicate should have performed our national functions and duties, and should have been able to get a grip upon the Senate, and upon Knights of the Annunciation and ex-Ministers; to employ Italian deposits in operations of personal credit; to maintain political representatives in Albania, Constantinople, and Brazil; to represent Italian banking in London and New York; and to impose itself upon the *Banca d'Italia*." This by way of generalisation; for if we specify the activities and the methods of the *Banca Commerciale* we find that behind the personality of Italians (whether accomplices or ignorant of their function) selected to overcome the diffidence of a *clientèle* which is largely rural, it was working for objects quite alien to the interests of Italy.

For example, while Austria was pursuing in Albania a policy of violation of the Austro-Italian agreements, a Bank of Albania was projected, its capital to be provided half by the *Banca Commerciale* and half by the *Wiener Bankverein*, the Italian interests being represented by Signor Hugo Marcus, a member of the council of the *Banca Commerciale*, but director of the *Wiener Bank*! <sup>1</sup>

At home it was noted: (a) That the bankruptcy of certain projects in which the *Banca Commerciale* seemed—at first—to be favourably interested coincided miraculously with the growing success, in Germany, of undertakings which competed with ours. This was the case with the Italianisation of the English Marconi Company, whose redemption by

<sup>1</sup> Of the disastrous influence of the German-Italian banks upon our commercial, as well as our political, interests in the Balkans, I have spoken at greater length in the chapter on *Commercial Espionage*.

the free Italian banks was in 1908 rendered possible by an opportunity of acquiring the majority of the shares at a very great discount. The *Banca d'Italia* contrived to interest the *Banca Commerciale*, the *Credito Italiano*, the *Bancaria*, and the *Banco di Roma* in the matter. As Signor Corradini<sup>1</sup> observed, if such banking establishments were able to show themselves indifferent to the glory and the moral and political value of an operation which was to restore the ingenious achievements of Marconi to the mother country, they were none the less interested in the financial side of the affair (which was highly profitable). However, at a given moment the *Banca Commerciale* backed out, and the operation was not completed. No plausible reasons appeared; none were given. We had to be content to realise the fact that Germany, at the same time, although only a year earlier she had acclaimed the Marconi system, was now recommending and promoting the Telefunken system in bitter competition with the former. The promotion of the Telefunken system was undertaken by two companies whose names—as will be noted—are a programme of Italy's economic vassalage, and have, on too many regrettable occasions, been combined with that of the *Banca Commerciale* for us to fail to suspect their complicity in the Marconi affair. These two companies were the *Siemens Halske* and the *A. E. G.*

(b) And that the campaign against the mercantile marine, whether free or subventioned, was succeeding to the detriment of all, and was marked by the extremely prompt and ambiguous surrender of those navigation companies which were affiliated to the

<sup>1</sup> E. Corradini, *La Marcia dei produttori*, Roma, 1916.



*Banca Commerciale*; that with various combinations and transactions (beginning with a loan to Commendatore Florio of £320,000 on a security of 25,000 shares) between the *Banca Commerciale* and the *Società Generale di Navigazione, La Veloce, L'Italia*, and the *Lloyd Italiano*, the *Banca Commerciale* became the arbiter of the greater portion of our mercantile marine, and, while running it in such a way as not to lose the capital invested therein, compelled it, as regards the renewal of material, the increase of speed, and the frequency of services, to play such a modest part as would not result in competition with the German steamship companies.

The result was that even the little *Società di Navigazione sul Garda* was caught in the nets of the *Commerciale*—that is, of the German influence; although the Italian Government paid it a considerable yearly subsidy. Up to August, 1914, the sale of tickets and the dispatch of luggage was the exclusive privilege, at Gardone Riviera, of three German firms—that is, of the shipping agencies *Gebrüder Uhl*, the *Deutscher Kaufhaus Oelsner*, and the *Reisebüro* of the Grand Hotel Wimmer. When the war broke out the three German “consulates” were closed, and tickets were henceforth sold only on board the steamers. The population persistently requested that the local agency of the I.N.L.G. should be authorised to replace the German booking-offices, but the Council of Administration<sup>1</sup> replied “that it did not find that such sale was necessary for the population.” Which is to say that the *Impresa di Navigazione* is solely at the disposal of German travellers. And it should be noted, as a conclusive detail, that the President of the

See the chapter on *Our Commercial Servitude*.

*Impresa* is that very Senator Mangili who is President of the *Banca Commerciale*. The vicious circle is complete.

(c) That the penetration of the flourishing Italian automobile industry by the German banks, the commencement of an inexplicable crisis in this industry, and the multiplication throughout Italy of agencies of German automobile manufacturers, were very closely, ambiguously, and cunningly related.

(d) That the ruin of the cotton industry in Italy was due to a "mysterious policy of obvious destructiveness, carried out by the medium of the German banking campaign and a frantic competition."

(e) That the *Banca Commerciale Italiana* imposed upon all Italian industries—by looking after their shares and obligations—the exclusive employment of electrical plant and material (motors, dynamos, generators, transformers, etc.) supplied by the German manufacturing company (the *A. E. G.*), threatening them, should they rebel, with the removal of industrial protection.

This is only an episode, but it is useful to record it, because the same system was denounced as far back as 1906, when it was perfected by other German establishments (including the *Deutsche Bank*) in Central America, where everything, from coffee to electric lighting and windmills, had already fallen into German hands, thanks to the penetration of the German banking system.

Another episode relating to the operations of the *Banca Commerciale*, which is even more arresting, on account of the object aimed at, was denounced at a meeting of the Radical Association in Rome, on the 17th of March, 1915, by the Hon. Di Cesare, in the

following terms: "An admiral having dared to ask for the immediate delivery of a consignment of arms ordered from factories under the control of the *Banca Commerciale*, found himself dismissed within forty-eight hours, and replaced by another admiral, who, of course by chance, was the brother of one of the negotiators of the Turco-Italian Treaty of Peace at Ouchy."

That the reader may understand the significance of this relationship, it is perhaps necessary to add that the Peace of Ouchy was concluded by men notoriously connected with the *Banca Commerciale*; namely, by the Hon. Bertolini, who is the bank's candidate *in pectore* for the Presidency of the Council, and Comendatore Volpi of the *Società Commerciale di Oriente*,<sup>1</sup> who was suspected in March 1914 of neutralist (?) activities in Vienna. The secretary to the Italian plenipotentiaries at Ouchy was the son of Otto Joel himself.

This German symbiosis of banks and industries may be illustrated by a hundred examples. One significant example of protection granted by the *Banca Commerciale* to German industry, to the exclusion of Italian industry, is given by Preziosi, from whom we cite these few details: "The importation into Italy of electrical material, undertaken only by three German houses, the A. E. G., the Brown Boveri Company, and the Siemens Company, supported and protected by the *Commerciale*, amounts to about £8,000,000 per annum."

<sup>1</sup> Of the relations between the *Banca Commerciale* and the *Società Commerciale di Oriente* there is explicit proof in the *Proceedings* of the Administrative Council of the Bank for 1914.

Now, as Maurice Millioud observes,<sup>1</sup> the electrical industry is, in its organisation, one of the most centralised, and perhaps one of the most highly evolved of industries. What, then, is keeping it back? The *Deutsche Bank*, that "Empire within an Empire," which for years has been aspiring, in Europe and elsewhere, to a real and effective monopoly of the electrical industry. Switzerland is completely conquered; as much may be said of Italy; of France we will only say that in March, 1915, the French journals complained that when certain electrical bulbs used in X-ray photography had to be renewed by the hospitals, they did not know how to obtain them, as there was no longer any trace of a national production: the German electrical invasion had killed off the last manufacturer.

A more serious phenomenon, on account of its obviously treasonable character, is the system of *reserved information*, or *information slips*, introduced by the *Banca Commerciale*. Perhaps the war has

<sup>1</sup> Maurice Millioud has published in the *Chronique Universelle et Revue Suisse* a long and closely "documented" article on *L'Allemagne, la conquête économique et la guerre*, of which he allowed me, with the greatest courtesy, to consult the proof-sheets. Respecting the electrical industry established in foreign countries by the *Deutsche Bank*, he shows that it has already become associated in Germany with that form of "trust" which differs from the regular trust in that the component firms are not dissolved, and which is known as a *cartel*.

Not only are the various firms not dissolved: they even initiate apparent conflicts, or remain in competition as regards all matters that are not specified in the agreement. Thus the Siemens-Halske Co. and the A. E. G. seem to be involved in a formidable struggle, which deludes the public, but which really gives rise to a *regulated competition* which fixes prices and apportiones the regions to be served. This trick was explained by the *Berliner Tageblatt* (April 5, 1912).

facilities for military espionage in the event of a war. Léon Daudet devotes a whole chapter of his *Aventure* to the system of the Schimmelpfeng Agency,<sup>1</sup> and this is how Signor Bacci summarises it in a volume which has just reached us: "In the event of a victorious war, make no mistake as to the indemnity to be required of France. Bismarck, we know, never managed to forgive himself for demanding only £200,000,000 in 1871; and a German of to-day—Alfred Kerr, director of the review, *Pan*—replied, three years ago, with great sincerity, to the query of Bourdon of the *Figaro*—

"The prospect of a fresh campaign is displeasing to nobody. People speak of it unperturbed, and calculate the gain to be derived from it. The crushing of France, and a war indemnity of £1,000,000,000, because we remember, that last time you paid too easily! And we rub our hands. Do you smile? That means you don't know the Germany of to-day. It is a country of shopkeepers. Pile up the pence and grow rich. No other ideals exist."

"The Schimmelpfeng Agency was in a fair way to gratify the German demand, and to furnish a precise account of how many thousands of millions were needed to lay France low.

"A shame that the misfortunes of the German arms and the wonderful tactics of Joffre should have rendered useless these long and patient statistical inquiries!"<sup>2</sup>

In France this system of espionage was completed by this diabolical detail: that when a manufacturer

<sup>1</sup> We shall speak of the Italian branches later.

<sup>2</sup> B. Bacci, *L'artigianato tedesco* (Gonnelli, Florence, 1915, pp. 91 et seq.).

was asked for data respecting his industry, to be included in the *Annuaire française*, he was also asked for "reserved information," for delicate facts concerning his colleagues or correspondents; information which he furnished the more fully and conscientiously as he was anxious that his own particular industry should be fully and eulogistically dealt with in the *Annuaire*. By the Schimmelpfeng method the French were spied upon and betrayed by their own countrymen.

Has it come to this in Italy? Not yet; and it is to be hoped that the war, with its Franco-Belgian revelations, has finally broken the links of the hateful chain. It is certain, however, that we owe this chance to the war alone, for the "information slips" of the *Banca Commerciale* (of which the duplicates are probably already in Berlin) and the papers of the Schimmelpfeng Agency are of a nature and origin so similar as to assure us that their object was identical. In Italy no less than in France the system of "reserved commercial information" was becoming a veritable and powerful system of espionage.

That the subjection of Italy by Austro-German syndicates was the principal object of the extension of such banking establishments appears from the fact that, while in Upper Italy—a fact not mentioned, by the way, by Signor Preziosi—the *Banca Commerciale* passed over more important provinces, it created in Venetia as it were a chain of branch establishments, not without political and military value in the event of war in a frontier region (containing Venice, Mestre, Verona, Padua, Treviso, Vicenza, Schia, and Udine). In Central and Southern Italy also it opened branches where no real need of them was felt, but where, on

the other hand, the need was felt of creating a first nucleus of German activities, which would Germanise or spy upon a region which was for military or industrial reasons of importance. It did this at Salerno, where seven sound and reputable banking houses were more than sufficient for the 43,000 inhabitants of the district, but where the flourishing naval dockyards formed a centre of attraction for spies.

Still, speaking generally, any one acquainted with the conditions of Italy and its economic activities cannot but feel astonished that a foreign establishment—even though adroitly recommended by well-known Italian names—which was founded with the modest capital of £200,000, should derive, solely, as it appeared, from its own financial operations, such a power of expansion that in 1904 it was able to open five branches, in 1905 seven, and fourteen—which is more than one a month—in 1913, so that in a few years it possessed fifty-two branch establishments; a deplorable state of affairs in any case, as it was detrimental to the local Italian credit.

Besides the *Banca Commerciale*, the *Credito Italiano* has also multiplied its offspring. Their origin is indubitable. The two establishments pretend almost to ignore one another, but in reality they maintain the closest relations. However, the *Credito Italiano* is much less independent, audacious, and insolent than the *Commerciale*; and it works by preference in small areas, monopolising provincial towns. The methods of the two establishments are identical: they absorb, imprison, and impose themselves. In the *Credito Italiano*, as in the *Commerciale*, the directing brains, whether occult or visible, are Ger-

man, and they do their best to carry out a German policy—even in personal matters. For example, in Florence the director of the *Credito Italiano*, a certain Krauss, withdrew his subscription to the critical review, *Diana*, because the latter published an “unseemly” article (or poem) in honour of martyred Belgium! As for the duties as political agents and spies which these self-styled financiers have fulfilled in our midst, we may well regard it as a confession that when the Salandra Laws came into force and the Prefectures became less servile toward our German “guests,” among the first to discover the fact that the atmosphere was becoming unfavourable to their plots against the security of Italy were not a few branch managers of the *Credito Italiano*. We will mention, among others, Commendatore Davis, director of the head establishment in Rome, who had concentrated in his own hands the representative power of the administrative boards of twenty-seven industrial companies! After Commendatore Davis had taken flight, he was followed by the Civitavecchia director of the *Credito Italiano*, who, being also the German Consul, was relieved of his duties, and sent across the frontier for reasons of State.

After the *Commerciale* and the *Credito Italiano* come the lesser banks. We cannot here, for reasons of space, give a complete picture of the German infiltration in our banking system, provincial as well as metropolitan; we can only cite a few examples. The Vice-President of the *Banca Bergamasca* is a Luchsinger; a Krauss and a Lang are on the council of the *Banca Tirrena* at Leghorn; in the *Banca Italiana di Cauzioni*, founded in Rome in 1903, the President is a Tremb, a Fedderus and a De Jongh



are directors, while among the members of the council there is a Zaal, a Moleschott, a Sckadd, etc.

Confronted by this enormous network of banking machinery, we feel amazed and confounded; how should it be otherwise, when we know by experience what a terrible force of intimidation, corruption and suggestion it is capable of developing in a young country such as Italy? One feels inclined to envy Chile (the only South American nation which always pays its creditors), who, confronted by the complete Germanization of Brazil, has introduced legislation forbidding foreign banks to receive deposits in excess of the value of such real estate as they may have acquired in Chile. This restraint may perhaps be evaded in a few exceptional cases, but it always constitutes an excellent guarantee against an unexpected panic, or against a sort of manœuvre not unknown in Italy, where foreign banks water a fruitful industrial field, drain it in every possible manner, and then fling the dry clods in the faces of the actual owners of the soil.

In this connection we have another painful revelation to make. Not only is Italy under the dubious tutelage of the *Commerciale* and the *Credito Italiano*, but even the Italian emigrants in America fall into their hands. In all Latin America, indeed, there are no other banks which protect Italian interests except the *Banca Francese e Italiana* in South America, and the *Banca Brasiliana Italo-Belga*. Well, all these international denominations are conveniently adopted by banking establishments associated with the *Banca Commerciale* and the *Credito Italiano*.<sup>2</sup> It is enough

<sup>2</sup> For the *Società Francese e Italiana* see the *Proceedings* of the Administrative Council of the *Banca Commerciale* for 1914.

to remember what a political and economic mortgage Germany has obtained upon Brazil; it is enough to recall the ferocious war which the political German banks wage against all that is not susceptible of Germanisation (and the Italian emigrants—we may say it with pride—are not in the least susceptible), and we shall understand what the Italians in Latin America are exposed to—spoliation, petty and wholesale, exclusion from economic profit, exclusion from industrial enterprise. We hope that Italy, emerging from this war stronger, both morally and materially, will continue to study the stupendous but perilous phenomenon of emigration, and will protect the emigrant with an energy, an acumen, and a sense of national dignity which have hitherto been lacking. One of the first means of assisting agricultural and industrial emigration should be a system of *Italian* banks in the countries which receive most of our emigrants, so that in these banks the Italian emigrant may find moral and material support, and financial assistance for his initiative, which is always fertile, and always accompanied by an admirable spirit of industry, as well as a secure and reliable place of deposit for his savings.

In February, 1915, a speech delivered at Naples by the ex-Minister, the Hon. F. S. Nitti, seemed to demolish the arguments of those who were denouncing the economic enslavement of Italy by Germany. In reality every sentence of this speech, which is full of the prudence of a Governmental politician who may return to power, contains in some subsequent sentence, or readily allows one to understand, a modification which brings it into line with

our own arguments. Signor Nitti, in fact, spoke as follows—

“There are phases in the life of every people in which the internal forces of the country are not sufficient, and in which it is difficult to effect any economic progress without the initial assistance of foreign capital and foreign operatives. Italy, for nearly forty years, having won her liberty, has been passing through this difficult phase. For many years the greater portion of the issue of State loans has been effected by means of the efforts and the assistance of foreign banks; some of the larger industries have come into being by means not only of foreign capital, but of foreign technical management and picked foreign workers.

“People are now speaking evil, often unjustly enough, of foreign industries which were eagerly desired; of companies which were not only eagerly invited, but which did work which could not otherwise have been accomplished.”

And it would really be unjust to complain if such foreign enterprises had confined themselves to those activities for the sake of which they offered to come to us, or were invited to come; but confronted by their *subsidiary* activities, a danger to our political, and even to our economic, liberty, Signor Nitti would be the first to cry: “Away with the barbarians!”

However, the Germanophiles were delighted when they heard Signor Nitti assert that “*The Italian banks themselves are far from possessing German capital in predominant proportion; and there are even in Italian banks sums of German capital less than the Swiss, and perhaps even than the French capital; but they are more active, more fruitful, better sup-*

ported by the harmonious activity of their country of origin."

We may incidentally observe that this placing of Swiss capital and German capital in generical antithesis is entirely arbitrary. The German-Swiss cantons are so many German prefectures, and economically they represent, often enough, an astute Germanic *alibi*. This refers to persons as well as to capital; and this is so true that Stieber claimed it as a merit that he replaced, in France, in 1890, more than 8000 German spies by as many Swiss spies, the latter being less suspect to the French authorities but equally devoted to the German cause.

But let us return to Signor Nitti. Further on he states "that German industry has rendered notable services to our banks also, sending into Italy some portion of its method and its discipline, not of its capital. The German capital permanently invested in Italy represents, to balance matters, a rather small proportion; perhaps less than that of any other country."

"In all its various forms—shares, partnerships, etc.—the German capital invested in Italy does not effectively amount to £1,600,000."

At this, again, the Germanophiles rejoiced.

What was there to rejoice them? This was the gravest accusation that could be brought against the German banks. Have we not always said so? Created with modest sums of German capital, they absorbed, out of the savings of Italy, all the added capital which they desired, which was considerable, and with this Italian capital (or sometimes with French, as in the case of the *Credito Italiano*) they have enslaved the political and economic life of

Italy, terrorising it, suffocating it, and often directing it into paths the reverse of those which the interests of Italy would have pointed out. For the rest, Signor Nitti, having stated that the German capital invested in Italy did not amount to £1,600,000, continues—

“But in Italy the trade in many parts is under the control of German companies; many companies with Belgian and French capital have hitherto been directed by Germans; and the task of representing the great English firms has for a long time been in the hands of the Germans.”

Nothing could be more correct; and nothing in this volume is more amply proved.

It amounts to this: with the German habit of working in the shadow of another flag (we need only refer to the readiness with which enormous numbers of Germans call themselves Swiss), to calculate the German power in Italy in accordance with the modest amount of capital *visible* would be a useless and a deceptive task.

We must calculate it not according to the German capital invested, but according to the Italian capital which is directed and administered by the Germans as they please.

A remarkable example was afforded by the discussion relating to the *Ferrovie Meridionali* (Southern Railways) in the *Idea Nazionale* (October, 1915). This Roman newspaper made a violent attack upon the activities of the “long arm” of Germany as exemplified in the relations of the *Ferrovie Meridionali* and some other important electrical undertakings; an onslaught which was erroneous as regards the three persons attacked (Engineer Pitter, Com-

mendatore Braida, and Engineer Barbisio). The declarations of these three gentlemen, who defended themselves in person, elucidated the following facts—

‘That the *Società delle Ferrovie Meridionali*, after the redemption of its lines, had become a financial corporation possessed of enormous means;

That the *Banca Commerciale*, operating on the Stock Exchange, had lowered the price of its shares, thereupon buying them up in extensive lots;

That by this means (its usual method) it obtained the mastery at the meetings of the *Meridionali*;

That when the *Meridionali* began to take a hand in important electrical enterprises nothing was done that was against the interests of the *Commerciale*, represented here, as elsewhere, by the ubiquitous Joel.

Another example is furnished by the *Società Anglo-Romana del Gas* of Rome. At the last general shareholders’ meeting an authorised representative of the shareholders most severely criticised (supporting his accusations by documentary proof) the course followed and the methods employed by the director; other shareholders supported him, and the position of the director appeared somewhat precarious, especially as his opponents were in the majority. But the *Società Anglo-Romana*, despite its twofold appellation, is in German hands. Indeed, when the matter was put to the vote the *Banca Commerciale* threw into the scales the predominating weight of the six thousand shares which it holds in this company; the minutes and the balance-sheet were approved, and the director was saved. We cannot say the same of the interests of the bulk of the shareholders.

Judged by the criterion of its supreme financial control of the money of others, the German predominance in Italy is enormous.

We will mention two notable admissions of this domination as especially significant. Of these two statements one comes from Germany, and is therefore above suspicion, the more so as it was made almost a year after we went to war.

On the 1st of April, 1916, then, in one of the most authoritative German economic reviews (the *Weltwirtschaft*, edited by Professor B. Harms, of the University of Kiel), Dr. Uebelhoeer explained the methods of the Germanic penetration of Italy. "With comparatively exiguous means—a few tens of millions of marks only—but with capable and trustworthy men, Germany succeeded in exercising a predominating influence over the Italian economy. A most capable vanguard, the financial establishments and industries *wove the web of German dominion over the business affairs of Italy.*

"A superficial examination enables us to calculate that about £6,400,000 of foreign capital is invested in Italy; of this only £1,120,000 is German capital; but what gives this relatively small German capital its great weight is its excellent organisation: the creation of an ever-increasing combination, well considered in all its forms and all its inter-relations. This is the great merit of Germany."

"The strength of this organisation resides in the banking department. The typical German method is to ensure unity between the banks and the industries; the place of the bank in the general economic life of the country, and the development of capital, which ought to be the financial department of in-

dustry, have, taken together, given German capital a great influence even in Italy; much greater than could be hoped for judging by the small amount of capital invested in this direction."

The whole of Dr. Uebelhoer's article is admiringly intended to exalt the work of the *Banca Commerciale Italiana*. According to the German economist: "This bank was not founded merely in order to develop a banking business, but in order to penetrate industry.

"The aim of the establishment, then, was not merely to conduct the ordinary business of banking, but to interest itself in and to penetrate Italian industrial enterprises.

"The *Commerciale* developed very rapidly; the capital of £200,000 increased in twenty years to £6,240,000; and it was the same with the number of its branches, which to-day reaches fifty. Judging from the composition of the Council of Administration before the war, we may be certain that the *Commerciale* was under the influence of the following German banks: the *Bank für Handel und Industrie*, the *Wiener Bankverein*, the *Kredit Anstalt für Handel und Industrie*, the *Bleichröder Bank*, the *Diskontogesellschaft*, the *Dresdner Bank*, and the *Anglo-Austrian Bank*.

"The services which the economic life of Italy has received from the *Banca Commerciale* are highly significant, especially as regards the creation, organisation and consolidation of mining companies and metallurgical industries, but most especially as regards electrical undertakings.

"Only four years after its foundation the *Commerciale* created the *Società per lo sviluppo delle*



*Forze Elettriche in Italia*, with an initial capital of £400,000; little by little other banking or industrial companies became interested in the *Società*, the condition being maintained that all these companies should remain under the control of the *Allgemeine Elektrizitätsgesellschaft* of Berlin.

"The *Banca Commerciale* is also extensively interested in the *Società di Navigazione Generale Italiana*, with great advantage to the German marine, as thereby a competitor is eliminated.

"It is also interested— we do not know if it is to the real advantage of the Italian policy of expansion—in the Adalia railway (Asia Minor), and in the foundation of the Bank of Albania, in conjunction with the *Wiener Bankverein*.

"The *Banca Commerciale* is controlled by the following German and Austrian banks: the *Bank für Handel und Industrie*, the *Wiener Bankverein*, the *Oesterreichische Kredit Anstalt für Handel und Gewerbe*, the *Bleichröder Bank*, the *Diskontogesellschaft*, and the *Dresdner Bank*."

This is the sincere statement of a German economist. Where does he differ from what we ourselves have maintained, even descending to details (as to the *Navigazione Generale*, the Adalia railways, and the A. E. G.)? Such words ought to be enough to suppress any further talk of the benefits which the *Commerciale* has conferred upon Italy. The accused admits his own guilt. But here is the matter from the Italian point of view:

Proposed legislation was discussed in Parliament which would withdraw the right of secession from shareholders in joint-stock companies proposing fusion with other companies without altering their

commercial object—that is, which would modify Articles 158 and 172 of the Commercial Code.

The question may appear essentially economic and legal; in reality it had an economico-political bearing of great importance. The modifications proposed would have permitted the fusion of certain genuinely Italian banking establishments, which proposed to unite in order to repair the political damage done by the *Banca Commerciale*, and to oppose the policy of reprisals which the *Commerciale* was enabled to pursue against our industry and commerce on the day when Italy entered the field against Germany. At the time the project was supported by Commendatore Stringher, Director of the *Banca d'Italia*, but only lately have the echoes of German methods in other belligerent countries caused this identical project to be accepted, and realised by the fusion of the *Società Bancaria Italiana*, the *Società Italiana di Credito Provinciale*, and the *Banca Italiana di Sconto* (of recent foundation). The favour shown to this proposal by Commendatore Stringher—said *La Libertà economica*—"was enough by itself to arouse the diffidence and hostility of Luigi Luzzatti," one of the most sentimental and lachrymose opponents of the war against Germany; certain it is that in both Houses of Parliament the proposal was opposed by all those members (such as Paratore) who were notoriously connected with the *Commerciale*.

In the subsequent debates upon the "Reforms relating to Public Companies" the German banking peril cropped up at several points, thanks to the orators of various parties.<sup>1</sup>

The Hon. Enrico Ferri, who preferred the simpler

<sup>1</sup> See the *Riscontri Parlamentari*, March 22, 1915.

plan of the Minister, Signor Orlando, to that of the Commission, remarked on one occasion—

“The projected law has a very special aim: there is being formed in this country at the present moment a great financial group whose formation it is desired to facilitate. I am in favour of this combination, because in the modern world, and especially in the commercial field, union is the basis of strength. The Italians, it seems to me, ought therefore to be less individualistic. But we have in Italy, besides our national capital, foreign capital, and this also has its function. The Hon. Alessio stated that we ought to be grateful for this foreign capital, which gave a remarkable impulse to our industries when the national economy was passing through a period of profound depression. The Hon. Alessio is perfectly correct. But I should like to add one consideration: the Hon. Nitti, in one of his recent speeches, calculated this foreign capital at about £20,000,000; but he confined himself to considering the dimensions of this capital, while we must also consider its quality. There is, indeed, foreign capital which has a purely economic programme; for example, the Belgian, French, and English capital. There is another species of capital which adds a political programme to the economic programme: I am speaking of German capital. (*Comments.*) While we are confronted by this fact, here comes a projected law which, if only in a temporary manner, encourages Italian capital to form a union which may give it a greater energy; it is worthy of our approval, because the union of Italian capital will be useful now, and even more useful after the war. (*Comments.*) Because then foreign capital will perforce be invested

in its country of origin, and Italy will have to manage for herself, to make her own energies suffice. (*Approval and applause.*)”

Of course the Minister, Signor Orlando, replying to the various speakers, rejected the assertion that there was a relation of cause and effect between the new project and the national group of bankers then being formed in opposition to the foreign group; as a Minister, and speaking for the Government Bench, Orlando could not make the Government itself responsible for assuming an attitude of aggression (although it was fundamentally purely defensive) in respect of the German banks; but the Chamber supported Ferri's speech rather than Orlando's, and by voting for the proposed law it approved above all of its political bearings, so that Alessio, who was among its opponents, felt himself obliged to explain his original declarations, assuring the Chamber of his own agreement with the Hon. Ferri in his contention that foreign political influences should not be permitted to penetrate our country, availing themselves of foreign capital (and here Alessio was wrong, because it was Italian capital which the German banks made use of so astutely) as an instrument of conquest. The Hon. Eugenio Chiesa himself, who, with his speech upon the motives of illicit salvage to which the project might give rise, brought into the discussion his usual habit of inopportunity and his love of scandal, finally confined his criticisms to this consideration: that the £2,400,000 or £2,600,000 which would represent the united capital of the new Italian Discount Bank—*Banca Italiana di Sconto*—was very little to effect the real emancipation of Italy from foreign capital. In substance he found the

remedy insufficient, but he repeated his general diagnosis as to the infection of the banking and industrial worlds, inoculated by the political emissaries of Germany: of that Germany, let us repeat, which, by right of expropriating the inferior races, was to extend itself from Rotterdam to Verona.

## II

### DURING THE WAR

WE have seen the *Banca Commerciale* in its peculiar activities of the antebellum period. Let us now see how its directors have composed themselves from the outbreak of the war up to the present time. As we have observed elsewhere, the war determined a fresh mental attitude and a different behaviour in respect of all that was German in its origin and its methods. It might be supposed that the reaction against the instruments of the Transalpine despotism was both general and energetic. In reality this was not the case. Besides the true and authentic reaction of the great mass of the people—that part of the nation which felt most keenly the pressure of events, which prepared the way for them, influenced them, and gave generous support to the few who asked it, giving it even without well understanding the bearings of the request, but feeling that it was necessary for the salvation of Italy—besides this authentic reaction there appeared a histrionic activity which was not so much a reaction as an adaptation. And its programme was to *disguise itself in order to achieve immunity*. The *Banca Commerciale*, which

was one of our most frequent targets, because it was in the vanguard of our destroyers, was the first to attempt a master-stroke which should restore to it that Italian virginity in which no one any longer believed.

So it proceeded to dismiss its German administrators, and to effect a process of so-called Italianisation, the last act of which comedy really took place in the March of 1916, the month in which we are writing these lines. Not all that happened upon the outbreak of the War can as yet be told or written. Yet it may be prophesied that the day of our liberation from the talons of the foreign foe will find the truthful and courageous historian of the battles we fought in the heart of the country, while the heroic onset of the Italian arms was crossing the artificial confines of a mutilated Italy. Then the world will realise the full gravity of certain hours of anxiety and peril, which might have been as fatal to us as a reverse upon the Cervignano or the Stelvio. It will hear, for example, of this most serious fact, whose bearings we must not discuss. At the time of the first issue of paper money—which was decided upon by the Government in order to facilitate the operations of our great banks, which were being pressed to a certain extent by their clients and depositors—one of the greatest banking establishments sent to Stringher, director of the Bank of Italy, one of its directors, who demanded of Stringher that £16,000,000 of the new issue should be granted to his bank. Stringher referred this rapacious person to the Minister of the Treasury, and the latter heard the request repeated, aggravated by the following threat: If this enormous subvention was not granted,

the bank would throw upon the market £32,000,000 of Italian bills of exchange, commercial and industrial, thus provoking a gigantic collapse (even though borne by many) of the economic life of Italy, which was already confronted by a formidable crisis as the result of the war. Fortunately, the Minister of the Treasury found in Salandra a man capable of confronting the Germans of Germany and Italy. Salandra, in short, summoned the German Ambassador, and warned him that if this financial assassin did not leave Italy that day he would have him sent to the frontier between two *carabinieri*. The lesson was sufficient, and the chapfallen financier departed. But what matter? The fact remains in its crude piratical hideousness; suppose the Government had that day been in the hands not of Salandra, with his calm-strength, but of the man of the *parecchio*,<sup>1</sup> with his equivocal ductility—and the ransom would have been paid, the “hold-up” would have been successful.<sup>2</sup>

But let us return to the metamorphosis of the *Banca Commerciale*.

The first episode was the resignation of the foreign members of the council of administration.

On the 27th of March, 1915, in fact, seven members left the council: Herren Schwabach, Marcus, Kaempff, Klein, Winterfeldt, Urbig and Wallich. In reality they were not the only foreign

<sup>1</sup> Giolitti. *Parecchio*, a word for the use of which Giolitti was greatly blamed, and which went far to cause his fall, means, literally, something, an-equivalent; practically it meant balance, compromise, adjustment, a “deal.” (Tr.)

<sup>2</sup> We were told of this episode a few days after it occurred, but we have just had it confirmed by a high official in the Ministry of the Treasury.

councillors, for seven more were non-Italian, and of these four were representatives of the *Banque de Paris et des Pays Bas*, which was in France what the *Banca Commerciale* was in Italy in respect of the economic penetration of Germany. Nevertheless, on the 27th of March many persons saluted what they supposed to be the *Commerciale's* first act of expurgation. But those who were thus deluded failed to take into account these three facts: the first of which was the reason given for the resignations aforesaid. It was stated, indeed, in the *communiqué* issued by the bank on the 2nd of February, 1915, that the thirteen foreign councillors were leaving because *the business conditions brought about by the present war made it extremely difficult—indeed almost impossible—for them to take part in the sessions of the council*. A modest reason, and one which, coming after six months of war, appeared to conceal motives of opportunism of much greater force and complexity. And this was proved by the second fact—by the fact that Joel, Weil and Toeplitz were not dismissed. What! The small fry were sent away, and the three strong men, the three experts, were left? Or perhaps this again was a proof of that *sense of delicacy* of which the *Commerciale* boasted, and which it eulogised so greatly in those who had resigned? The reply was that the three irremovables were naturalised Italian citizens.

Frankly, neither quibblers like Claudio Treves, nor persons innocent of logic, such as Croce, can persuade us of the value of the *acquired Italian nationality* of these gentry.

If the circumstances had not been so serious, and the possible consequences so disastrous, we should all



have been justified had we burst out laughing. But for whom was the Delbrück Act made law?

Does it not say that *there are cases in which a German citizen finding himself abroad might find it to his interest to acquire, besides his original nationality, a new nationality*, and that—even when possessed of this latter—he can at the same time *represent the interests of his old country*? And as the law adds that—upon advising the German authorities—this person may retain while expatriated the practice and the rights of his German nationality, what value—if it be not purely ironic—have the certificates of Italian citizenship possessed by the German triumvirate of the *Commerciale*?<sup>1</sup>

The third fact—it is painful to refer to it—consists in the comment which the minutes of the council of administration made, upon the departure of the German group.

They stated, in fact, that “on this occasion the council of administration expressed the desire, which it here confirms, that the cordial relations which bind

<sup>1</sup> To each his own. On October 31, 1915, Herr Toeplitz declared, in the Roman journals, that he was a Pole, a member of a Polish family which won distinction in the insurrections of 1830 and 1863, and that Germany had no attraction for him. “Let us judge him, however, by his acts. About this time Senator Mangili recommended those who questioned his banking and industrial operations in Milan, Zürich and Bale to remember the patriotic merits of his ancestors. Now all this is puerile.” For the same reasons of justice that refuse to allow the sins of the fathers to fall upon the children, we refuse to allow the children to obtain the credit of their father’s merits. To the ancestors of Toeplitz all glory and honour, but to Toeplitz, the emissary—whether Polish or not—of the great German banking houses, the just and severe judgment of an Italy threatened and defending herself.

to our own the establishments to which these old colleagues of ours belong, and which play such a conspicuous part in the international financial movement, may always be maintained, even in the future."

This is what those who remain have to say to those who are leaving. Now it is obvious that here is no longer a matter of indolence, or even of persistence in error; the statements of Commendatore Fenoglio and others are a direct and provocative challenge to the clearly asserted will of the people that an establishment which played such an important part in the nation's economy should be Italianised. We may say that they are something more than a challenge: they are an actual attack upon Italy, though actual war has not yet commenced. For the rest, who were these new or re-elected Italian members of the *Commerciale's* council? Some actually owed to the Germans all that they were; others were positively Germans with Italian coats and names. Among the first was Fenoglio, whom Joel "invented," and placed upon the administrative board of every one of the 300 companies controlled by the *Banca Commerciale*, knowing that in him he had a safe man. Among the second was one Marchese Giovanni Montagliari, of Florence. Even Giovanni Preziosi was taken in by him, supposing him to be among the Italian councillors, while as a matter of fact Montagliari, the Florentine marquis, was neither a Florentine, nor a marquis, nor a Montagliari. He was, and is, one Johann Meyer, a German Jew, who once upon a time had some business (which was not too successful) in the Transvaal, and afterwards came to Italy; and at Florence he bought the Villino Mirafiori, which he then gave to one Ciampolini in exchange for the hamlet of Mont-

agliari, of which there is record in the patents of the Alberti of Prato of 1186. He there founded an asylum for infants (*Spedaleto dei Bambini*), which institution was known by his real name of Meyer, and after giving large sums to charity (a procedure which makes the simple feel that all discussion of such a benefactor is prohibited), he obtained the title of Marchese di Montagliari. A snob at heart, enriched by his father, impoverished by his own vanity, he imposed himself upon a certain section of the Florentine aristocracy by means of connections and relationships which extended from Rumania to Spain and Germany. Such—and we give it by way of an example—is the Italian pedigree of the Italian councillor of the *Banca Commerciale*, which position he holds, let us add, because he represents the interests of the *Dresdner Bank*.

So far we have not gone beyond March, 1915. But now we are writing in the effulgence of Italian heroism, in the spring of 1916. More than a year has gone by, and Mestica, Fauro, Guicciardi and Borsi, with others of their blood, have died at the front, certain of dying for a fruitful victory. In comparison with such heroism, what are the far smaller sacrifices which have been made for the complete—that is, the lasting—victory of Italy by her bankers, her financiers? What, in the meantime, has become of the *Commerciale*?

There was an attempt to remodel the bank, and this time the arrow of its compass was to point to France, but no arrangement was concluded (if such was even the real intention of those who appeared to be attempting it), because the men charged with this arrangement were the very men who were regarded

with the greatest doubt. It was toward the end of 1915 that a delegate of the French Government paid two visits to Rome, in order to investigate the position of the *Banca Commerciale* and the best way of expurgating it.

This delegate was M. Guyot, ex-diplomatist, vice-president of the *Banque Privée*, and the first innovation subsequent to the projected Franco-Italian agreement would have been his admission to the council of the *Banca Commerciale*, with M. Derville, president of the *Mediterranée française*, and vice-president of the *Banque des Pays Bas*, together with a member of the firm of Schneider and another representative of the *Banque des Pays Bas*.<sup>1</sup> Scarcely was the proposal disclosed, with the fact that Guyot had obtained illumination and counsel from Senator Mangili, even though under the auspices of the Palazzo Farnese, when Italy and France alike rebelled, and the project fell through, preventing, at the same time, the farce of renovating the *Banca Commerciale* with members of the *Banque des Pays Bas*, which is almost a branch of the *Deutsche Bank*, and of granting a Latin patent to the *Banque des Pays Bas* itself, which, by expelling (for reasons of delicacy) the French councillors of the *Banca Commerciale* upon the outbreak of the European War, left the latter still more securely at the mercy of the Austro-German group. But this second act of the farce had already been guessed at by competent persons in France, so that the *Revue de la Bourse et de la Banque* (January, 1916) contained the following words: "It is announced that owing to the combined initiative of the French and Italian groups, the Italian *Banca Commerciale* should very soon find

<sup>1</sup> See *La Vita Italiana* (1916, p. 248).

itself completely rid of the numerous German elements which have invaded it. . . . It was one of the most serious and culpable errors of the *Banque de Paris et des Pays Bas* that it should have invested several millions of French capital in this bank. . . . Will it be the *Banque de Paris* which will assist in the working out and operation of this affair? Will it for such a purpose once more delegate the three individuals who have previously displayed too great a complacency in their understanding with the Germans? It should be recognised that it will be difficult under such conditions to achieve the prescribed object."

Having failed in its attempt to effect a counterfeit expurgation of its administration by substituting equivalents in the place of men discharged, the *Banca Commerciale* resumed its old ways; so much so, indeed, that at the general meeting of March, 1916, its famous renovation culminated in the re-election to the council of Otto Joel and Weil. It is true that these gentlemen were all ready with their modest gesture of renouncing the positions to which they were restored; but not on this account were their persons, and still less their policy, exiled from the administration of the *Commerciale*. At any rate, whether their refusal was authentic or a piece of comedy, the shameful fact remains that the General Meeting bowed down before the German group, while every sane Italian was emphatically demanding that the economic redemption of Italy should be commenced, no less than the military redemption of the *terre irredente*. One courageous voice was heard, that of Professor Eteocle Loviny of the Athenaeum of Pavia, who, indignant at the attempt which was

made in the official report of the meeting to give an authentic and serious value to his ironical remarks respecting the German group of the *Commerciale*, drew a most lively picture of the henceforth famous meeting, of which we will cite, for the sake of brevity, only this passage, which, with its pride of revolt, ought to find sympathisers in all those who are aware of the true German peril—the economic péril:—

“When I found myself there, like Daniel in the lions’ den, with a few friends who together commanded a few hundred votes, confronted by 100 shareholders who were men of straw and were worth more than 125,000 votes; when, after the trivial attack upon the German gentry made by Bonnano and Siebenech, I saw that poor Fenoglio absurdly replying, grappling with a few figures as to credit balances abroad and holdings of foreign stocks, which did not afford matter for dispute—when I saw the piteous visage of Mangili, who seemed to be miserably treading the dance of a patriotically trained bear, while his rope was held by that Italian of Italians, Weil, who stood beside him, and by that no less Italian Russian Pole, Toeplitz, who stood behind him, by order of the divine Joel, absent but equally Italian:—when I heard the ineffable Silvio Gespi beating the Mangilian tom-tom and singing Mangili’s praises amid the delirious applause of so many senators, deputies, and men of note in the regions of high Lombard finance—then, frankly, I understood that it was useless to hope for repentance there.”

A realistic picture, whose tints are sober as they are depressing. After a year of conflict, of accusa-

tions never contradicted, the Italian *clientèle* of the German masters still hold firmly to the latter's coat-tails, with an obstinacy compounded of blindness and audacity, in what proportions we do not know.

And this, we repeat, after a year of accusations never disproved. And these accusations borrowed nothing from gossip, nor did they ever assume the quality of a personal campaign. On the contrary: they gave evidence of serious facts, sometimes injurious to the national security, always offensive to the national independence of an Italy which believed herself the mistress of her own economic destinies.

To these revelations the *Idea Nazionale* very largely contributed, in a manner which must not be ignored or overlooked, and which does the greatest honour to this youthful Nationalist organ. As has been observed—as we ourselves were the first of all to demonstrate—the principal field of industrial penetration invaded by the German banks was—in every country, and especially so in Italy—the field of the electrical industries. And the favourite and impregnable child of the *Commerciale* was, in Italy, the *A. E. G.*, whose president, as we have already seen, was the indispensable Otto Joel. The *A. E. G.*, powerful by origin, and most of all powerful by reason of the support of the *Commerciale*, became the strongest bulwark in Italy of Germanic industry. This was denied by the German pro-consuls in Italy. But whom has the war proved to be in the right? Which way did the relations between the *Banca Commerciale* and the *A. E. G.* point upon the outbreak of the war, which immediately resulted, not in a military conflict between Germany and Italy, but in an

extremely delicate situation, due to the economic measures which Italy, for good or ill, was forced to take in respect of Germany, owing to her quality of ally to our enemies? Did the *Banca Commerciale*—that *most Italian* of institutions, according to Fenoglio—feel compelled to act in conformity with the interests of Italy, confining its relations with German establishments to the purely necessary, observing all the caution and all the restrictions which the laws of war imposed upon every good Italian? By means of photographic reproductions of the original documents, the *Idea Nazionale* proves the contrary, and proves other matters also of the greatest gravity—matters, indeed, of a criminal nature. Here are some examples—

1. In the autumn of 1914, during the moratorium, when the crisis of Italian credit was raging its highest, and the *Banca Commerciale* denied that it was sending any remittances out of the country, the administration of the Italian *A. E. G.* (to-day's *Galileo Ferraris*) was busily sending remittances to Germany. In particularly difficult cases Commendatore Joel took charge of the matter. Typical, in this connection, was the personal intervention of Commendatore Joel in the case of the *Società delle Ferrovie Meridionali*. In September, 1914, Joel endeavoured to induce the *Meridionali* to defer until the end of December the collection of a credit of more than £12,000, which was then falling due, so that the Italian (1) directors of the *A. E. G.* might effect a remittance of £10,000 to Berlin, which otherwise they would find impossible.

2. When, in May, 1915, events came to a head, and Italy was on the point of entering the war, the *A. E. G.* once more claimed the effectual assistance



of Commendatore Joel, in order to induce the *Banca Commerciale* to concede a special discount to an electrical company which was its debtor, *thereby enabling the A. E. G. to send an emergency remittance to Berlin.*

This time the operation was superintended by Commendatore Fenoglio, but the documents prove once again that Fenoglio, like any other of the so-called guarantors of the Italianity of the *Banca Commerciale*, on the 27th of May, 1915—that is, *three days after the Italian declaration of war*—required the authorisation of Joel in order to carry out a discount operation, and was waiting for his order to remit some gold to Berlin. Yet it was stated that for a long time Joel had played no part in the management of the *Banca Commerciale*! So said Toeplitz, the irreproachable descendant of Polish patriots, in that letter to the *Idea Nazionale* which has already been mentioned: “Coming to Italy as a youth, I have spent in Italy my whole career, from a simple volunteer in the banking world to director, replacing, with other of my colleagues, Signori Joel and Weil, *who (and this statement may serve to rectify other inaccuracies in your journal) have for some time taken no part in the administration of the bank.*” So said the Russian Pole, Toeplitz, on the 28th of October, 1915. But some one properly pointed out the fact that although the statement was nominally true, because Joel, Weil and Toeplitz had proceeded from directorships to the presidency, substantially it happened that many of the functions of the “administrators delegate” were then assigned to the presidency. The simplest bank-holiday swindler is capable of rising to such a trick

as this. But he, as a rule, is sufficiently modest to offer his tricks to the acceptance of the inexpert amazement of rustics, while the German gang designed to impose such vulgar deceptions as the half-marked truth upon the world of Italian politics, which is not composed entirely of Fenoglios.

This matter of remitting money to Berlin was not such as to leave any doubt in the mind of one who judged it by the criterion of his country's interests. And this was felt even by Fenoglio, who (as is stated in a letter dated the 21st of May, 1915) not only when proposing the operation, but also while accomplishing it, was conscious of hesitation for a number of considerations of a politico-economical nature. And there was truly reason to hesitate, for with this remittance began (or at least we like to suppose that it began only then) that conveyance of the Berlin credits of the Italian *A. E. G.* to the complaisant *Banca per imprese elettriche di Zurigo*, which the *Idea Nazionale* proved to have taken place by a letter dated the 28th of May, 1915, that is, five days after the Italian declaration of war!

And the *Idea Nazionale* explained: "The Italian *A. E. G.* has always, in fact, been a debtor to the Berlin bank, and to the central establishment in Berlin. This is why, in effect, a very large portion of the orders received by the Italian *A. E. G.* in Italy are passed on, for execution, to the Berlin establishments. Confronted by the dangers of a war between Germany and Italy, provision was made to render secure the payment by Italy of at least a million lire (£40,000); credit to the same amount being transferred to a Swiss bank, notoriously a filiation of the *Deutsche Bank*."

Worthy readers—even though you be not very profoundly versed in financial matters—do you think well of the Italianity of the *Commerciale* in this affair? If we follow the gentlemen of the *Commerciale* beyond their connection with the bank, we feel no greater confidence in the possibility of securing their co-operation in the economic redemption of the country. There are some, it is true, who are upright and above suspicion, such as Signor Canzi; there are others who are harmless, like Signor San Martino; but these, either through age or want of experience, are less capable of good work, and it is seldom that they see clearly through the intrigues of others. And besides these there are those Italians who always had little confidence in Italy, who never had faith in her, so that they thought their beggarly country extremely fortunate when foreigners consented to help it to live; and it seemed to them that this foreign condescension was never sufficiently repaid, so that their admiration continually overflowed in intense gratitude, and from this became surrender, gradually losing the sense of national dignity and national defence against the foreign mortgage. First among these was assuredly, and is, Mangili the president of the *Commerciale*, Mangili of the shipping-house, the *Casa Mangili*, which at Magónza is settled upon the son. We have already seen the Mangili of the *Commerciale*; Mangili the shipping-agent completes him. No Italian, indeed, can have forgotten that in Venice one day (the 12th of March, 1915) there was discovered in a lot of beer-casks sent from Munich in Bavaria, and directed to Tripoli, a consignment of rifles, cunningly concealed. And on the 22nd of May, in some cases despatched from Barcelona to a

destination in Germany, but held up at Genoa, revolvers and projectiles were found where dried figs or dates should have been. And in both of these mysterious affairs figured the name of the Casa Mangili. And a third time this name figured in an attempt to convey contraband electrical material from Austria to Italy through Switzerland.

Seeing that appearances, at least, had proved him three times a criminal, Senator Mangili for the third time loudly protested his innocence, but his accustomed phrases and commonplaces of patriotism and claims of hereditary Italianity did not persuade any one. And if any one had been a little impressed, he must have changed his mind when the newspapers published a circular sent by the firm of Gondrand and Mangili, of Berlin, to their German clients (September, 1914)—

*Herr Francesco Gondrand, who is a Savoyard by birth, and has for more than fifty years carried on his business in Germany, is not in any way interested in our Company; on the contrary, those interested in our Company are—*

(1) *The joint-stock company Innocente Mangili of Milan, a firm established in 1816, capital £160,000, president of the Board of Administration: His Excellency Senator Cesare Mangili of Milan—distinguished in Prussia by the order of the Crown, First Class:*

(2) *The international transport company Fratelli Gondrand, a joint-stock company of Basle, capital £440,000, president of the Council of Administration Signor Fr. Gondrand of Milan, who was formerly the proprietor of the firm of Fratelli Gondrand*

—which in 1901, with the aid of Swiss capitalists, was transformed into a joint-stock Company.

Would you—say some—deny Mangili the right to add to the commercial effects of his house a German decoration which was certainly honestly gained? God forbid that we should contest such an innocent right in ordinary times. But the trouble is that the unpleasant connection of the knight of the Order of Prussia with the rifles at Venice and the revolvers at Genoa is aggravated by the direct evidence of the grateful *Frankfurter Zeitung*.\*

This worthy Frankfort newspaper stated, under the eloquent head-line, "Germanophile Agitation in Italy"—

"In an article entitled 'Exportation through Italy,' (see the evening edition of the 1st of September), which reached us from a commercial source, the Italian Senator Mangili, founder of the forwarding house of the same name, was accused of having taken part in Germanophobe manoeuvres in Italy. This assertion has just been contradicted, with reference to acknowledged facts, in a letter addressed to us by one who is in close relations with him; and after examining the facts cited we are glad to be able to state that Signor Mangili has always maintained a correct attitude in respect of Germany and German interests. Hence there is no reason why any German merchant should avoid business relations with the forwarding house of Mangili; the more so as in its German branches the said house employs a wholly German staff."

Unless we are wilfully blind, we are forced to

recognise that here we have a very different matter from that of the Prussian decoration. Here we find persons who are in *close relations* with Mangili, and who are therefore in a position to inform the industrial world of Germany (so vigilant in dividing its friends from its enemies) that it may repose confidence in Mangili, and feel assured—from German sources—that he will sustain and succour the world of German investments. There is nothing equivocal here: we have before us a genuine German testimonial to an Italian senator. Is this the truth or not?

And then, noting all this, noting that the moral and economic motives of the Italian "orientation" have not persuaded Mangili to return his German decoration, to discharge his German staff, to repudiate the German approval of his Germanophile activities, to prove *by facts* his loudly spoken adhesion, in the sphere of economics, to that programme of the single front, which, with or without a formal declaration of war upon Germany, brought Italy into full and firm agreement with the Allies, even against Germany; as Mangili has not considered all this, it was, and is, right and lawful to consign his protests of patriotism, based upon his heredity, to the waste-paper basket, and to refuse him our confidence as the author of the Italianisation of the *Banca Commerciale*. But he has done worse; he did not even feel the obligation to retire at least from the *Commerciale*; he protested, with lofty emphasis, that our campaign against the German elements in the bank itself was unjust and injurious. He should afterwards have proved his point, it is true, but we will even grant him the right to make an unsupported protest. For

we have for a long time desired that whether by public reaction, or Governmental interest, or an honest conviction of possessing the truth, those men who, in a critical hour of Italy's orientation toward the future, cannot or will not act with us, shall surrender their precedence in the national economy. Let them be against us even, and we shall be grateful to them. What we cannot forgive them is, that they do not support us by their actions, while their words deny that they are supporting the Germans. This is not honest; it is not courageous; and it is—we confess—a drag upon us and our work. The new Italy which is now arising needs new men, men of the noblest faith, of fearless conscience, implacable in the national quality of their desires and their accomplishments.

What we have just said, in commenting upon the case of Mangili, is in itself a proof that our campaign against the *Commerciale* is not directed against the institution, but against the men who harbour there, and who have introduced methods which are non-Italian and injurious to our interests.

This state of affairs must be remedied, and it can be remedied if the people, the Press, and the Government will collaborate to that end. The people must henceforth be informed of the usurious nature of the disastrous results which Germany has accomplished in the Italian economy along all those by-paths which proceed from the banking stronghold; the Press must increase its vigilance in respect of all important economic problems, instead of stifling it as in the past, with the excuse that readers like the papers to be amusing; the Government must become increasingly sensible that the policy of *laissez faire*

is as highly pernicious in the economic field as was the dilettantism of the Ministry in the field of education.

Between the honest folk who are already convinced, and the dishonest who are naturally invincible, are those—they are always with us—who fear that Italy, if left to herself, will not be able to stand on her feet, or walk without German assistance.

Now, even these people ought to be undeceived. The German conception of the State is superior to the Italian conception of the State in this particular: the Germans hold that the State should foster the national industries through the great banking establishments (but this conception lost sight of the limits of its applicability, and thereby became injurious). But there is no superiority either of men or of methods in the banking world of Germany. If the German banks have prevailed over the Italian as regards their industrial connections, this is because our banks of issue, strangled by the banking legislation of 1873, could not subvention industrial initiative with that liberality of open credit which would have been necessary to support the development of such initiative, so that the German or Germanised banks seemed in poverty-stricken countries to exercise the powers of a Maecenas (for no one clearly perceived what hateful interests of espionage and despotism they had in view), and as there were not many who took a serious view of their princely patronage, most people supposed that the German banks in Italy were able to do and to concede what they did because their technical superiority placed them in a position to do so.

A gross error, for the German banks, on the con-



trary, brought with them a system of extravagant expenditure upon their staffs and offices, a system of mysterious and mischievous disproportion between the lowest and the highest salaries, a system of stupendous generosity toward their administrative officials. And all this, if closely looked into, was derived—as has been said—*from the enslavement and the sweat of others.*

If there really did exist honest and normal relations between the extensive financing of industries and the administrative methods of the German banks; that is, if the German banks in Italy did acquire this extreme strength by dint of the superior value of their standards and their men, how was it—as some one acutely observed—that German directors or clerks and German methods were never drawn into that sudden rise of banking establishments of the highest class—the Savings Banks and other establishments of a popular character? And how did these people's banks and savings banks, which remained in the hands of the incompetent and inferior Italian financiers, manage to become solid and extensive organisations, until they constituted a magnificent and advantageous foundation for the development of Italian credit? Where, then, is this pretended inferiority of ours? Those who are convinced of it are those who judge the industrial finances of Italy by certain inevitable—indeed, we may say premeditated—"slumps" in automobile company shares; foreigners have taught us nothing. It is possible that they could have taught us something; it is even extremely probable; but what they have done in Italy affords no proof of this.

As Luigi Einaudi observed, "The master is he

who teaches; who exerts a public influence, universally remarked. In the matter of banking, I say that Stringher and Miraglia have taught something; that in their reports one may read, in minute detail, how a bank of issue may be reorganised. The administrators of our Savings Banks, great and small, and of the people's banks, are masters whose influence upon trade and industry is visible to all, is described in detail in the annual reports, and submitted to the critical examination of all."

This lucidity, this honourable illumination of a financial edifice from foundation to summit, is assuredly not a characteristic of the German or Germanised institutions in Italy, in which balance-sheets and reports are ousted by the *summary*; a summary ever more laconic, more concise, more taciturn, so that it is all one to us whether we give it a fugitive glance or make it the object of our attentive scrutiny, both facts and figures being presented with a tongue-tied, unintelligible solemnity.

And this taciturnity, this conciseness, have their true and only origin in the necessity of hiding from the Italian public the political function of the German industrial bank in Italy. To disperse this gang of speculators from our magnificent national energies, to recall the banks to their natural modern function of sustaining credit and industry, so long as the profit of these is national—this is the object of the campaign which we are fighting against the great German banks.

And this programme is absolutely devoid of that preconceived hostility toward this or the other bank which those interested in the perpetuation of the German despotism insinuate is the life-blood of our

campaign. We are not interested; we have no pre-conceived ideas; we are struggling for the same national faith for which the magnificent heroes of Italy are falling in their hundreds between the Stelvio and the sea.

NOTE.—As we are correcting the proofs of this chapter the newspapers report the death of Otto Joel of Danzig. His persistent opponents in so far as his work was contrary to the interests of Italy, we salute in him one of the really strong and representative men of Imperial Germany. His biographers assert that he truly loved Italy and professed Italian opinions. We may very well admit this to be true, and we can very well explain the contradiction between what he wished (so they say) to be and what he really was. It is enough to recall what Carli wrote concerning the invariability of the Germanic psychology under any latitude: "The Germans obey the obscure forces of the race, which inevitably urge them along such a path as to make them the missionaries of the German ideal in the world. Thus it is that those who come from Berlin to administer Italian savings bring to this function not the psychology of that pallid shadow, the *homo oeconomicus*, but that of the *homo germanicus*, which means that they administer our savings in a German fashion, and direct them into different channels from those which they would follow if administered by an indigenous mentality; giving them a direction which—*despite themselves*—may even be contrary to the interests of the nation." *Despite themselves!* . . . We will even accept this formula as resolving the intimate inconsistency of Otto Joel. None the less Italy was bound to defend herself against him, and it was our duty to fight Joel and others like him because they were working against us.

## OUR COMMERCIAL SERVITUDE<sup>1</sup>

On the evening of the capitulation of Metz, Prince Frederick Charles said to his officers: "Gentlemen, we have conquered on the military plane; now it is a question of fighting and conquering on the industrial plane." Thirty years later Prince von Bülow asserted: "By the aid of industry and commerce we are raised to the rank of a world-power."<sup>2</sup>

The programme thus formulated with mathematical precision while the guns were still thundering on the battlefields of France suffers no lack of men, and fatality is on its side; the German market may really regard the world as its field: *mein Feld ist die Welt*.

We need give no proof of this assertion. Our readers know that, even making due allowance for German boasting, we must recognise the proportionate superiority of Germany's economic development, and that the conqueror of France did in reality found an economic imperialism which finds no worthy comparison in history.

Our task is, naturally, to prove the illicit, improper

<sup>1</sup> It will often happen, owing to affinity of subject, that we shall speak of industry as well as of commerce. This confusion was necessary, because we wished to speak, and have spoken of industry particularly with reference to the banking methods which initiate and sustain it. The confusion is therefore intentional.

<sup>2</sup> Von Bülow, *Imperial Germany*. (An English translation is published.)

and treasonable methods which Germany has employed, and how the German merchants (and manufacturers, let us add once for all) have, in addition to their own affairs, promoted a policy constantly opposed to the interests of the nations which grant them hospitality. We intend to show, episodically if not completely, how the German invasion of Italy paralysed and suffocated the Italian economic movement by means more deliberate and less violent but not less deadly than those proper to an actual armed conflict between Germany and Italy.

We have already alluded to the inundation of the world by German products; we have also spoken of the absolute necessity to Germany of foreign markets for this enormous production; lastly, we have shown that in order to increase this exportation progressively it was necessary to render the competition of foreign producers impossible, either by supplanting them with their own clients, or by wearing them down at discretion by selling abroad at a price below cost.

These two methods have been commonly employed by Germany throughout the world. Belgium, part of France, Brazil,<sup>1</sup> Switzerland, the Balkans, Russia and Turkey have borne, and still bear, the weight of this struggle, in which they have found themselves at the mercy of the German merchant. Italy was suffering a similar fate.

In effect, on the eve of the war the final figures, representing the economic relations of Europe with

<sup>1</sup> The German purpose of conquering Brazil was described as an absurd invention by Bethmann-Hollweg in his speech of April 1916 (before the Reichstag). I here maintain my assertion, which I have elsewhere proved by the data and the testimony of German writers only.

Germany, show that the estimated budget had suffered no sudden decline. These figures—those for 1913—are highly significant.

In 1913 Germany sold goods to—

	£
England, to the value of	71,500,000
Russia " "	48,850,000
France " "	39,500,000
Italy " "	19,650,000

Italy imported from Germany, during the year ending the 31st of December, 1914, goods to the following values—

	£
Chemical products, medicines, gums, perfumes .	825,436
Colours and materials for tanning . . . .	704,635
Cotton manufactures . . . . .	818,714
Wool and woollen refuse . . . . .	175,319
Woolen manufactures . . . . .	959,179
Silk tissues and ribbons . . . . .	234,190
Other silk manufactures . . . . .	282,383
Tanned hides and worked leather . . . .	1,250,194
Cast iron, wrought iron and steel, raw and semi-manufactured . . . . .	1,129,365
Manufactured cast iron, wrought iron and steel	1,050,952
Copper, brass, bronze : raw and manufactured .	434,226
Other non-precious metals, raw and manufactured	259,009
Machinery and parts . . . . .	2,802,468
Scientific instruments . . . . .	1,669,343
Gold and silver work . . . . .	715,414
Coal . . . . .	1,155,042
Rubber and gutta percha, manufactured . .	519,357
Silken stuffs . . . . .	643,800
Various commodities . . . . .	1,575,981

We have said that these figures are highly significant. They are so whether we consider their

economic value, or whether we regard the methods by which they were attained.

We ought to study such methods, even in abridgment, if we wish to seriously prepare ourselves to carry out that commercial scheme of defence which the economic conferences of the Allies assert to be the keystone of a peace advantageous to an assaulted Europe. We have struggled, and are still struggling, against military and political espionage, and we were enabled to do so only (as we had not displayed much foresight) when the secrets of similar methods were in our hands. If we wish to struggle against commercial invasion we must, in the same way, study the methods employed, master them, and neutralise them. While studying them we shall discover that they have an infinity of characteristics, original and functional, in common with espionage.

From the admirable work (already cited) of Maurice Millioud we will take first of all this example, which shows how the German firms are often actual intelligence bureaus. Would you have thought that Germany would have competed with France in the matter of Paris fashions? Yet Americans who come over to give their orders in Paris find that the Paris models which are to be introduced for the coming season are *the same* as those they have already seen in Berlin, and are sold at a *lower price*. Of course they go to the German firms. This illicit appropriation has been effected thus: a German merchant, in touch with the staffs of the Paris houses, has managed to purchase the still secret models, and has sent them to Germany; there they are copied and reproduced wholesale, in large quantities, so that they may be sold at a low price. To be sure—say the fashion experts—in this

hurried production some aroma of charm, some note of taste is lost; but for sale in America, in large quantities, to firms of the second rank, the "Berlin model" possesses all the qualities it requires to defeat the Paris original—all the more so as it precedes the latter.

The same process has been observed in the case of the cap-making establishments in Troyes, which to-day are reduced to renovation rather than production.

In Italy the same thing has occurred—to name only one example—in the case of a very well-known factory of special blacksmith's and carpenter's tools, established in Florence, at the sign—if we mistake not—of San Giorgio. The proprietor engaged as workmen two Germans, who worked there for some time with much assiduity and ability, and then left him. Six months later Germany was placing on the Italian markets the same tools in enormous quantities, finished in exactly the same way, and at a low price. The San Giorgio factory tried to resist, but had to own itself conquered; the manager learned afterwards that the counterfeit workmen were two first-class German engineers, who engaged themselves under him with the sole object of copying his models and his methods of manufacture.

In substance we find ourselves here confronted by a true system of espionage. If fortifications are a weapon of warfare, and it is spying to steal the plans of them, we cannot employ needless euphemisms to describe the subtraction of models of the machinery of production, which is the supreme weapon in commercial warfare.

That the Germans do so well by this system is explained by their natural gift for copying things.



When Latin genius has invented something and has not the available capital to realise its invention, there is always the German "organiser," who buys or steals the discovery, reproduces it, modifies it by some childish alteration of detail, and sets the German trademark on it.

As has been seen, one of the first elements of success of the colossal German export trade is lowness of price. Of course, by manufacturing in large quantities a notable reduction of the cost of production is obtained, but it would never be possible to obtain by this means the extremely low prices which are quoted not only in the case of cheap machine-made articles (in which case one could explain the matter by suggesting that the wares concerned were inferior articles, of which both the material and the wearing properties were unknown quantities), but also in the case of the choicest products of German industry.

This lowering of prices is due to the system of "dumping" practised by the vendor. "Dumping" consists in selling goods at a low price in order to ruin competition and to seize upon the market. Naturally, it implies selling at a price below cost. With us this method had a great success, as our industry is still subject to crises of growth (and sometimes to crises of incompetence), and has not the strength to hold out for long against the violent attacks of the German mastiff.

However, even had it been strong enough it would have been forced—at the best—to strike a bargain with the Germans and agree to sharing the markets with them. Of course the Germans, as a first condition of the bargain, would secure the presence of a representative as a director of the Italian industry,

and would gradually contrive to expropriate the latter.

Dumping<sup>1</sup> is effected in Italy more especially in the metallurgical markets. While steel rails were sold in Germany at £6 per ton, and in Belgium for £4 9s. 7d., so the German ironworks sold iron girders for £6 5s. per ton in Germany, £6 in Switzerland, £5 3s. in England and the East, and £3 15s. in Italy.

Reckoning the cost price at from £4 5s. to £4 15s. per ton, a deficiency of from 10s. to £1 per ton results from their sale in Italy. Now it is notorious that in northern Italy the native foundries and ironworks are struggling desperately to establish themselves on a solid basis.<sup>2</sup> Set this rising industry to struggle against the German policy of dumping, which is stabbing it in the back, allowing it no truce, and you will see that those are right who call the life of the Italian ironworks a daily tragedy.

Let us get down to the figures. Steel rail-posts, of German make, which sell for £6 10s. per ton in Germany, are sold for £4 15s. in Italy.

<sup>1</sup> To "dump" means to *unload*, to throw down, violently, in a mass. (The mechanism of dumping is simple. Goods can be produced more cheaply if produced in great quantities by a vast specialised plant, working full time. The production may exceed that required for home markets. The factories are still worked to their full capacity, but the excess produced is "dumped" abroad. There it is sold at a price below cost, whereby the foreign industry is ruined and abandoned. Meanwhile the loss thus incurred is covered by selling the product in Germany at a very high price, (maintained by outrageous protective tariffs)—perhaps five or six times as great as the foreign price. When both the home and the foreign markets are conquered the foreign price may be raised and the home price reduced.—Tr.)

<sup>2</sup> See R. Ridolfi, in *Metallurgica Italiana* (1914).

Iron wire and steel fire-tongs sell in Italy for 12s. to 16s. less than in Germany.<sup>1</sup>

Austrian plate-iron is sold in Italy at a loss of from 2s. 9d. to 4s. 9d. per cwt., and it is known that the Austrian prices are regulated by the German producer in this field.

Rails, an important product—as Millioud<sup>1</sup> observes—from the economic and from the political point of view, are sold in Italy for 32s. less than in other countries, though even there they are sold at a lower price than in the German market.

The *Central-verband* of Düsseldorf, which rules the iron market in Belgium, France, Austria and Switzerland (where, however, the prices are little higher than with us, so that the Swiss market shall not in turn be invaded by Italian products), intends at any cost to prevail in Italy.

And to prevail in Italy it is necessary to prevent any competition, to strangle the metallurgical industries. The mark is splendidly chosen; if the conquest of the ironworks is effected, then Germany has captured the engineering and iron building trades, the machine-works, the railways, and many other manufactures. This is why Germany is so bent upon destroying the Italian iron industry! Every blow aimed at it produces a series of rebounding strokes of almost equal weight.

Another department of Italian commerce swamped by the dumping of German products is the aniline dye market. One of the aniline “kings,” a great Frankfort manufacturer, said not long ago to an Italian manufacturer: “I would sell at a loss for ten years rather than allow the Italian market to escape

<sup>1</sup> These prices are still per ton.

me, and if there were need I would pay back all I have gained there up till yesterday."

Shortly after this Signor Carli (*L'altra guerra*) published some data, until then unknown, concerning the dumping in Italy of electrical machinery, the German monopoly of which in Italy means the dependence of our hydro-electrical industry. As every one knows, this industry was initiated by Italians in a rather remarkable manner. Now here, without further comment, are the instructions—as published by Carli—sent by a great German firm to its wholesale branch in Italy.

"The increase of competition often forces the firm to sell below normal prices in foreign markets; thus it has become a rule to sell at cost price, either to prevent the development of foreign firms, or to keep the workers in full activity and maintain the yield of a costly manufacturing plant." The results are not very favourable, and consist of a continual lowering of prices. . . . It is necessary to explain that the *E* (which means the *Foreign House*) organised all over the world, will in no event allow the extent of its business to diminish, and it is quite decided that the foreign branch is to be kept alive even if it yields no profit, *even if it results in loss*, again in order to provide continuous work for its operatives. The *E* can do this because the business done in Italy represents two to three per cent. of the total.

Of course, to carry on a campaign of this sort in almost all the branches of trade and industry, the internal organisation of Germany must needs possess exceptional powers of resistance, adaptability, regularity, and *wealth*.

As for resistance, we have already seen, when

speaking of the German banks, what a degree of credit, without guarantee and almost without limit, the manufacturer obtains from them when he is first starting. Also the foreign sales are maintained by means of a certain inflation of prices at home, which has of late become an alarming factor, productive of more than one crisis.

As to the adaptability and regularity of the commercial and industrial mechanism, we must admit that the governing circles watch over it almost as carefully as they do over the army; so that when the great manufacturer Possehl of Lubeck, the personal friend of Wilhelm II, proposed, in 1912, the permanent establishment of a Great General Economic Staff, he was in fact simply gratifying the wholly Germanic mania for categorical institutions and denominations, for, as a matter of fact, the General Economic Staff of Germany was already in existence and in permanent operation.

Indeed, since 1908 Germany has possessed an International Bureau for the development of German commerce abroad, and some time before this she possessed a *Deutscher Colonialverein*, which now numbers 250 agencies, scattered about the world—in Antwerp, London, Genoa, Tokio. It publishes the *Export Adressbuch*, a guide prepared expressly for exporters, which furnishes the addresses of foreign commercial houses, confidential information as to the solidity of their credit, valuable hints as to the tastes of clients, and the nature of the merchandise in demand. Again, the export agents inform their clients as to the customs of foreign traders, the best manner of corresponding with them, what advertisements to publish, and the best method of packing.

But this guide also explains and comments upon the events of the political and social life of the city in which the German merchant is interested, and thus he is reminded that even when abroad—indeed, all the more when abroad—he must remember that he is a German, and must therefore consider the politics of other peoples with regard to the advantage or the detriment which the policy of Germany may derive therefrom. That is, he in his turn must observe, investigate, and report; so that espionage, when thrown out by the door (when it is thrown out), returns through the window.

The same spirit inspires the famous *Wolff Bureau*, which is nominally a private company of a commercial order, while essentially it is an economic-political organisation, directly dependent upon the Great General Staff. As was revealed by J. W. Miles in the *Daily Mail*, the *Wolff Bureau*—presided over by Paul von Schwabach (the chief organiser of the banking crisis in Italy) and directed by Karl Mantler, a Prussianised Austrian, is in practice managed by the acute mind of Otto Hammann, formerly director of the Government Press Bureau.

And the *Wolff Bureau*, which enjoys every privilege in its relations with the State and the German newspapers, extends its activities abroad, and as in the days of international tension it moulded German opinion, persuading it of the "immobility" of England, so it endeavoured, through the English Press, to sway English opinion toward neutrality. And even earlier, when Herr Ballin was meditating the constitution of the German *Weltverein*, whose object was to "promote the prestige of German industry abroad," to the *Wolff Bureau* were confided the

journalistic activities of a new association (subsidised by the State at the rate of £12,500 per annum) formed by the principal German firms, the *Nord-deutscher Lloyd*, *Hamburg-Amerika Linie*, *Deutsche Bank*, *Diskontogesellschaft*, *A. E. G.*, *Siemens-Schuckert*, *Krupp*, *Gruson Werke*, etc., which furnish a total annual contribution of £25,000 (see *Dispatches from H. M. Ambassador at Berlin respecting an official German organisation for influencing the Press of other countries*. February 27, 1914, White Papers).

Through the *Wolff Bureau*, this association was also to "refute tendentious news relating to Germany and attacks directed against Germany, while providing for the diffusion of knowledge concerning the industrial position of Germany."<sup>1</sup>

In addition to the *Wolff Bureau*, there ~~was~~ represented in Italy the German Information Bureau of W. Schimmelpfeng, the two most important branches being those of Milan and Turin.

Of this Schimmelpfeng Agency we have already spoken elsewhere, but it is necessary to deal with it here by itself, it being a genuine German creation of the greatest importance. Founded in Berlin, ostensibly with the object of collecting commercial information, it extended its close network over the whole of Europe. Its principal sphere of action was France, and whoever will read that very well-informed volume, Daudet's *Avant-guerre*, will therein find full details of the perfect and complex machinery which was so designed that the French manufacturers them-

<sup>1</sup> The *Wolff Bureau* was represented in Rome by an Austrian, Rudolf Laswitz.

selves compiled what amounted to secret service information for the Berlin agency.

In the chapter on the German Banks in Italy, alluding to the "information schedules" of the *Commerciale*, we demonstrated—precisely with reference to the Schimmelpfeng system—their value to the Germans in the case of an actual war. The Schimmelpfeng Agency will now be considered with regard to the economic results (the pacific results, if we may call them so) of its activities. The denunciation which these have evoked, and the judicial proceedings instituted against them, are the best comment upon them. Branches were established in Milan, Turin, Genoa, and Naples, and there were representatives (to deal with affairs relating to Italy) in Mexico, the United States, and Canada. The Turin agency, ~~was~~ that which attracted the attention of the judicial authorities, and they were promptly obliged to deal with the Milanese branch as well. Political and commercial espionage appeared as the substratum of the Agency's commercial activities. From 1905 a certain Pietro Tommaselli, of Trieste, was at the head of the Institute in Turin; he was afterwards joined by his brother Giovanni, who had married a German wife, and was formerly a sergeant-major in the Austrian Army.

The war took Giovanni, who resumed his rank in a regiment of territorial militia marching from Trieste, but shortly afterwards, despite the most robust physical aspect, he returned to Italy, discharged. His discharge was rather curious; his return to Italy was still more curious, when we remember that Austria forbids even those discharged or exempted to leave the country. Requested to



interest themselves in this anomaly, the authorities conducted a search at the offices in Milan and Turin, and arrested the brothers Tommaselli, in order the better to investigate the basis of an institution which had impressed the public by the large number of its "information agents" scattered all over the world, and by the small profits realised as compared with the magnitude of its expenditure, as also the report that the Agency was secretly subsidised by the German Government.<sup>1</sup>

The director of the Milan office (up to last May), a certain Riccardo Döring, rented imposing offices, paying a rent of £400. He had many clerks under him, who were highly paid. The information collected was sent to Zürich, and a copy was forwarded to Berlin, where the general archives were stored.

The Milan department alone contained 40,000 reports, as after some years of long and patient labour the Institute was in a position to furnish Berlin with the most precise data concerning the potential resources of the leading merchants and of Italian commerce in general.

Döring, called to arms at the commencement of the European conflagration, was sent back to Italy.

The London office warned Döring, on the outbreak of war, to alter the name of the *Institut W. Schimmelpfeng* to "The Bradstreet Company, New York."

Last May, when Italy's participation in the war was decided upon, Döring fled the country, and before leaving burned his papers, saying afterwards

<sup>1</sup> On the occasion of the judicial inquiry at Turin the authorities brought forward my volume *L'invasione tedesca in Italia* in evidence, recognising it as the source of all necessary inquiries into the working of agencies of the Tommaselli type.

that he now feared no one's visit. A few days later the search was made.

At Turin, also, the Agency gradually expanded its "secret service" activities in the business world as in the political and military spheres.

Perhaps our attention was directed too late to this nest of intrigue and corruption, this centre of informers and constant espionage: still, some important "information slips" were seized, referring to the *Fiat* automobile factory, the *Società d'automobili d'Italia*, the Ansaldo machine-shops, the *Società Anonima italiana* for the manufacture of projectiles, the Nobel Dynamite Works in Avigliana, and the Governmental paper-money works.<sup>1</sup>

A report from the hand of a superior officer of the

<sup>1</sup> The military and political espionage concealed by this system of commercial inquiry appeared clearly from particulars revealed by the correspondence between Döring and Tommaselli, who always received private warning of Döring's visits. What motive of a commercial nature—asked the *Gazzetta del Popolo*, commenting upon the result of the search—could underlie a schedule which was discovered to contain information concerning the *Officina Carte-Valori*? This establishment belongs to the State, and its operations do not depend upon credit. And what commercial importance could there be in the news that the *Officina* was going to establish itself in fresh premises, on the *Corso Vinzaglio*, next door to the barracks of the Bersaglieri?

The inquiry into the Nobel Dynamite Works has terminated; needless to say we have not obtained the desired information. What is this information? Tommaselli was not able to give a decisive answer.

The expert declared afterwards that the Schimmelpfeng Institute, by intention and in its operations, manifest or occult, was a true and powerful permanent agency for political and military espionage in the service of Germany, and therefore of her allies. All the foreign heads of this Institute must be regarded as conscious agents of this political and military espionage.

General Staff shows that the heads of the Italian branches of the Agency were all Germans or German-Swiss or Austrians, that as subordinate employees those who did not know the German language were preferred, while the heads of branches corresponded with one another in that language. They received from the general headquarters a monthly bulletin, and communications of a private nature, and collected information which they sent to Milan, Zürich and Berlin without knowing by whom it was required.

We are here, then, confronted by a real politico-commercial organism which secretly provided the Governments of Germany and Austria with all the data necessary for the daily assaults upon our industry and commerce.

As for the *personnel* of this General Economic Staff, in addition to the Kaiser, whose landing at Tangier represents the acme of his activity as a commercial traveller, it includes the diplomatic and consular representatives.

What a vast difference there is here, again, between Germany and Italy! And perhaps we ought really to envy Germany and regret that we do not resemble her. Our diplomacy, indeed, still wholly pervaded by the old official dignity, and abounding in the sense of its titles and decorations, comprehends the office of Ambassador only from the purely political aspect, and was therefore certain, while discharging\* this limited function, to be the last to realise what a furnace was smouldering, in July, 1914, under the ashes of the pacific (?) Middle Empires. Any one who should suggest to an Ambassador of Italy that he might, with dignity and honesty, do much for his country's economic penetration of the country to which

he is accredited, would run the risk of offending the susceptibilities of the titled diplomatist—titled, decorated, and almost always invisible to his countrymen, unless they are deputies or journalists. Here is an example: some years ago an Italian, whose name was apparently German, won, at Trieste, the Government competition for the erection of an important building. The execution of the work being assigned to him, he collected on the spot several hundreds of workers. Suddenly the authorities sent for him, and informed him, with the courtesy of a Hohenlohe to an ally, that on the discovery that he was an Italian the competition had been annulled. This is a fact!

This was annoying; it was more, it was disastrous, both for the contractor and for his men; but our Ambassador, the Duca d'Avarna (he who on the 20th of September, in order that he might not offend the Apostolic Majesty of the Emperor, displayed the Italian flag at a window of the *inner* courtyard of the Embassy), to whom the injured man applied for protection, received him ungraciously, and finally showed him to the door, reminding him that he was the Ambassador of His Majesty the King of Italy, *and not the protector of contractors*. The Italian then applied to . . . the Papal Nuncio, and the latter obtained from Vienna the reversal of the unjust decision which the Ambassador of the King of Italy thought unworthy of his attention. Needless to say that, on informing the claimant of his success, the Nuncio assured him, smilingly, that he was delighted to see that even with Rome the capital the representative of the Pontiff could still be useful to Italians.

German diplomacy certainly never commits such blunders as this. It may rather be said that if ever

it commits or has committed blunders so terrible in the diplomatic sphere, to the matter of official commercial representation (if we may call it so) it has given all its energies and all its care. Germany's Ambassadors have realised what a pulse is throbbing in the life of to-day; they have realised that to obtain a railway concession means to hoist the national flag in foreign territory, and that this is not done without purpose, nor even merely to secure the financial profits of the railway for their country, but so that if any one should raise a finger against that railway, or the German money invested in that railway, or a traveller interested in the money so invested, Germany will be able to cry to that person that he has in the first as in the last analysis insulted the German flag. And behold! the Potsdam cavalry, with mitred heads but with sharpened lances, arrive ~~at~~ a gallop behind the German engineer, unless the engineer—as is not unusual in Germany—turns out himself to be a Colonel of Hussars.

Similarly, the German Ambassadors know that it is not only pleasing to the Kaiser, but that it is their duty as Germans to obtain privileges for Germany by means of renewing a commercial treaty rather than to shine, in the ancient fashion, by virtue of the impertinence of a Metternich, or to equal the Prince de Sagan in elegance, or Rivarol in conversation. So true is this that some months ago the German Ambassador in the United States was copying (we forget from whom) certain polemical speeches concerning the innocence of Germany, while, on his own part, he was working away, astutely and ingeniously, at preparing thousands of false passports for the Germans in America who wished to hasten to the aid of their

country, and at increasing the contraband of war on board neutral vessels. On the other hand, the Italian Ambassador in Paris—to continue the comparison—although in the more comfortable position of a representative of a neutral power, telegraphed, about the 7th of August, 1914, to the Consul-General at Lille, that he was to despatch the Italians called to Italy for military service, but forgot to indicate the route and the means by which they were to leave.<sup>1</sup>

The economic expansion of Germany is guided and sustained not only by her ambassadors, but also by her consular corps, which, as it already and by nature fulfils certain commercial functions, is able to stimulate it in a rational manner. The German Consuls, indeed, are really and truly commercial agents, to whom the industrial world of Germany entrusts the task of studying in detail the regions in which they are resident, and of providing periodical commercial reports which advise German merchants and producers

<sup>1</sup> The emigrants were so exasperated by the incapacity of the consular authorities that the Consulate at Lille had to be protected by a picket of French infantry, whose non-commissioned officer distributed the remnants of its rations among the famished Italians. At such a serious time as this the Italians in Lille had to discuss matters with a half-illiterate clerk, who understood Italian with difficulty. The Consul, who had his coat-of-arms placed even on his spittoons, received no one beyond two or three elegant young men, his constant friends; to this the writer can testify.

In Brussels, when the city was greatly perturbed by the German invasion, the Italian legation was in charge of Signor Bottaro Costa. An unmannerly porter used to open a little wicket, such as is often seen in the gates of Belgian houses, and used to say as a matter of course: "We don't give alms." One had to argue with him at some length in order to persuade him that one was not begging for alms, but was requesting to see His Excellency—not, mind you, in order to ask him for news, but to convey it to him.

what specialised or modified activities appear to the Consuls to be necessary in order to defeat the local competition.

The German Consuls, the better to fulfil this function of theirs, and in order to extend it from the sphere of information to the sphere of activity, take part in industrial and banking enterprises, whether German or indigenous, which are included in the projects of German infiltration; they are thus able to inform the great German manufacturers with perfect safety as to the possibility of sale or purchase, and keep the German banks well informed of operations which might profitably be attempted. As they are personally interested in the affairs upon which they report, or which they have themselves promoted, Germany is certain of their zeal.

Meanwhile, in this favourable position, it is natural—since they are Germans—that espionage and smuggling should be among their most important functions.

As for the matter of smuggling, let us note that in April, 1915, the Hon. Piero Foscari asked the Ministers of Finance and the Interior, in the Chamber, "what measures they thought of taking with regard to the German Consul in Messina, of whom it has been ascertained that he sent empty copper drums of double weight to Germany as drums of essence of lemons, evidently with the object of exporting copper."

The German Consul at Messina, a German, but whether by birth or adoption we are not sure, denied the report of the empty copper drums, asserting that they were really full of essence, but that they had been refused at the customs precisely because they were

of copper. However, the exclusively commercial activity of the Consul himself remained proved; and if you will recall the "copper famine" from which Germany is suffering, you will not find it difficult to believe that Germany was much more eager for the receptacles than for the essence of lemons, which cannot at the present time be greatly sought after or valued.

\* In Central Italy, again, in the hat-making districts, German agents made quite a corner in hat-moulds, for the sake of the zinc of which they are made; and here, again, the intermediaries and advisers who sought to obtain the precious contraband were the German and Austrian Consuls; just as the Austrian Consul at Naples was that very Krebs, proprietor of a boot-factory, who supplied the 30,000 pairs of boots for soldiers which were seized as contraband on board the steamer *Cornelio Scuto* (April, 1915).

As for the matter of espionage, while we are holding back for publication after the war in a new edition of this present volume irrefutable documentary proof of the complicity of the German Consuls in certain deliveries arranged by the great German banks in Italy to the detriment of Italian industry, we will quote here, without comment, an item of news dated the 16th of April, 1915—

"By a recent decision of the authorities the German Consul in Civitavecchia, Signor Breggher, who has occupied the position of director of the Civitavecchia branch, of the *Credito Italiano* for several years, has been relieved of his duties and obliged to return to his country for reasons of State."

The example could not be more complete. We



find ourselves confronted by a German Consul, who serves his country also as a director of a banking concern suspected of being a German agency, and who exercises his duties in such a way as to force even the rather remiss Italian Government to suspend him from his duties and expel him for reasons of State.

We cannot, indeed, call other than remiss a Government which, in November, 1914, when spies were swarming on the Brescian bank of the Lago di Garda, actually authorised the establishment of an Austro-German consular office at Gardone Riviera; an office never required in the past, when the Germans were living there in their thousands, but insistently demanded now, when the war had swept away the whole seasonal colony. The fact is, that the new consular agent was certainly not required to look after the interests of his countrymen, but to superintend the continual and colossal smuggling of rice, flour and grain, which were sent from Brescia by way of Salò and Riva toward the German front. And *magna pars* of the Genoa Consulate was that Giorgio Teich, director of the *Corderia Nazionale* (1) di Sampierdarena, who was noted for his extensive smuggling of jute, which was sent to the frontier under the denomination of carded hemp, and for the reception of Austrian deserters in his establishment. This case was more than usually serious because this quasi-Consul, manufacturer and smuggler, was also a purveyor to the Italian Navy, and as such was authorised, *more solito*, to enter arsenals, military headquarters, etc.

On a par with these examples, which are not merely of to-day, is the shameful indolence of our Govern-

ment, which has often entrusted our consular agencies to Germans. Indeed, many Italian consular agencies of the second class are managed by Germans, and others are frankly absorbed by the Germanic consular agencies. In such case were the consular agencies of Zanzibar, Che-Foo, Nagasaki and Manila. It is easy to imagine all the zeal and honesty which the Italian Consul . . . of Germany (or *vice versa*) will apply to the promotion of Italian interests in those regions!

The Kaiser, the Ambassadors and the Consuls constitute the Great General Economic Staff; beneath them is the innumerable army of manufacturers, merchants and commercial travellers with which we are all familiar, but we do not perhaps know all the secrets of their success.

In the first place, let us note this: in Germany the officer retiring or resigning from the military career does not allow himself to become paralysed by the enervating idleness of the pensioner, but seeks and finds, in the economic organism, a fresh manner of serving his country. Thus, in the German industrial world, those at the head of armament or munition factories, foundries, or electrical undertakings, are often retired officers; even in Italy, about 1912, a rich coal-measure in eastern Sardinia was acquired by a German admiral, who placed himself at the head of the works. These men carry into the economic sphere all the gifts of endurance, assiduity, precision and order which the military environment has already cultivated in them; they also bring to it a political sense which renders their work of observation and espionage abroad particularly valuable.

The great strength of the German employee

operates in a manner less visible but more perilous to those who play the host to him. Silent, tenacious, rude with that rudeness which the Italian believes to be a proof of seriousness, moderate in his demand for salary or wages when it is of importance that he should obtain a footing, he has invaded our factories and offices, rendering himself necessary and indispensable. At heart the Italian is a shy and sociable person; therefore when the Italian merchant or manufacturer notes in his office, or moving among his clients, the hard look, the unsmiling, sidelong gaze, the square, obstinate head of his German employee, and sees him intent upon his work, isolated from everything that is not his work, content to live far from his own country on a modest wage, partly in order to learn our language (the eternal refrain of German spies), the Italian is satisfied; he feels that he has in his employee a great silent force, imperturbable, not to be distracted by any allurements. And if he, the genial but timorous Italian, discovers some new industrial method, or realises the importance of some commercial innovation, he will summon his taciturn assistant, will entrust his secret to him, and will consult him as to the best way of realising it. Without the least appearance of curiosity, without any change in the usual deep tones of his voice, the German will study and examine and estimate and develop in a practical form the happy intuition of the Italian; himself overcome by professional zeal, he will advise modifications, additions, simplifications; and in a short time the Italian establishment will possess yet another well-forged weapon. The Italian is almost ready to embrace the man of Frankfort or Munich. But one fine day—ah! one fine day the

model employee, the pillar of the establishment, fails to return from a business visit to Verona. Our serious friend will be already on the way to Munich, where his associates await him, uproariously delighted with the new secret stolen from those "idiots of Italians who would never have been able to exploit it."

Apart from such commercial delinquencies, we must recognise in the German, besides other gifts already alluded to, his adaptability in respect of the tastes and the requirements of the consumer. The Italians, following the example of the English, export their products to a given market without much concerning themselves whether these products correspond, in general quality and particular appearance, with the requirements of the market in question; and when faced with the tardy increase or even the decrease of business, they do not trouble to seek out causes and remedies. The German does not commit this mistake; to gain a new market, to keep an old market faithful to him, he is ready to make any concession and any modification. One example will suffice: English sewing-needles are sold in packets of black paper with gilt lettering. Now in one of the States of South America the women regard black as ill-augured, and the English representatives informed their firms—once, ten times, a hundred times—that black packets of needles were unwelcome, and often refused. The English manufacturers did not give way; the needles could be sold in black packets or not at all. Then the travellers of the German houses arrived; they saw, they understood, they reported what they saw; and six months later they had conquered this vast market by means of German needles

of inferior quality, done up in packets of the most brilliant and varied colouring.

To this instance, which was related to me personally, I will add two more, related by Henri Hauser, professor in the University of Dijon. The first, which M. Hauser cites from the *Bulletin* of the Paris Chamber of Commerce (April 27, 1913), is as follows: A Swiss buyer ordered a given stuff from Elbeuf. The French firm was grieved to refuse the order, but was obliged to do so, as the stuff in question was over 400 grammes in weight, and therefore could not be exported. A German house in the same line of business was subject to the same conditions, but before dropping the matter it attempted a compromise, and wrote: "You will find herewith enclosed samples of 370 to 390 grammes weight." The Swiss firm hesitated, and then purchased. German industry thus obtained an additional customer, whom the French manufacturer, too fixed in his habits, might with a little compliance have kept for himself.

The other example is more . . . pungent.

One fine day there appeared on the French market mustard-pots in the form of a hog's head, surmounted by a spiked German helmet. The German element protested against this insulting product of industry; the French Government made inquiries, and what did it discover? A Dijon merchant, weary of the importunity of a German commercial traveller,<sup>1</sup> offered him an order for such an article as we have described, and the German, in order to do a stroke of business,

<sup>1</sup> M. Hauser has written an interesting book on *Les moyens allemands d'expansion économique* (Paris, Colin, 1916); and the chapter on the psychology of the German commercial traveller is especially worthy of note.

agreed to get his own firm in Germany to make the mustard-pot, which was a satire—to say the least of it—on his own country.

We cite this example—as all will understand—not in order to incite our manufacturers to imitate this sacrifice of national dignity, but in order to show what tenacity and what pliancy the Germans bring into the struggle for foreign markets.

Something less worthy of praise, but equally profitable, is the tenacity of the German commercial traveller in forcing his products, without any scruple as to their unsuitability, upon customers who are almost compelled to take them.

A frequent but little-known instance is one connected with wood-working machinery, which has been crowding into Italy of late years, principally owing to the efforts of the firm of Kirchner of Leipzig, who are specialists in this kind of plant.

Skilled commercial travellers used to go through Italy from north to south and from east to west, not neglecting the villages, and wherever they found a carpenter or a small co-operative society of joiners and carpenters they advised the purchase of mechanical plant, convincing the possible customer of the enormous advantages of machinery, and not in the least deterred by the semi-insolvency of the purchasers.

The machines arrived; they were sold at comparatively high prices; but the most ample facilities were given for payment, provided that payment was commenced by a first instalment. The machinery itself was legally the security, so that it did not become the lawful property of the purchaser until the last instalment was paid. Disappointment often followed, as, owing to an unsuitable locality, or to lack of capital,

or some local crisis, the purchasers failed, and the machinery took the road again, to find a place in some other workshop, or to be sent to the central depository, where it awaited another ingenuous purchaser.

In Emilia, especially, the workshops with plant installed upon this system which have finally failed, or entailed a useless waste of money on unwanted machinery, are innumerable. The limited capital required for such installations is often an incentive to simple minds in crises of industrial prodigality, of which Italy was expiating the effects, both great and small, when the international crisis, which is still supreme, supervened, and quickly (*Quod erat in votis*) dragged us in.

When the inconveniences of such a type of foreign industrial penetration are cited, the reply is often made that if at heart we are a simple folk the blame is ours, and that, on the other hand, without the commercial travellers of German industrialism nothing would ever be learned, and our artisans would still be using the tools of St. Joseph; but we ought equally to study the matter in its causes and effects, and to apply the same process to the industrial development of Italy, in order to see how much of it was sound and how much factitious, and how much of the unsound and factitious development was due to German pressure; and what an enormous waste of energy this last has cost us, especially in the case of the little industries, improvised that they might run behind at the whim of the miraculous industrial machinery which was too often exchanged for stacks of banknotes.

Certainly when the war is over this process must be extended, or will have been extended, to the whole of our national life; and then we must also review

the meticulous methods of the foreign penetration of our country; we must learn from them what will be of use to us, and remember the harsh experience of the past.

\* With these personal qualities raised to the height of a national system, with the unconditional support of the banks, with the skilful exploitation of our excited admiration for all that has a foreign sound or savour, the Germans invaded Italy, paralysing our technical and industrial activities. However, they met with one impediment, which had been raised in defence of our national interests. For example: foreign industrial companies were not allowed to undertake State contracts or supplies; but this impediment was rendered ineffectual by the possibility of creating analogous companies in Italy, which, although their administration and their capital might be foreign, acquired the full rights of nationality by the mere fact of being constituted in this country.

Moreover, the implacable competition existent in many branches of Italian industry was not only rendered possible, but facilitated by the special position of these companies, for they, being essentially nothing but branch establishments of foreign firms, effected important economies in the matter of administration, general expenses, and employment of *personnel* and material.

To this we must add another no less notable advantage in the matter of taxation. While the Italian manufacturer cannot evade the talons of the fiscal system, and is often seriously oppressed thereby, the subterfuges which are possible to those establishments which find themselves in the special position of com-



panies which are Italian only by name are infinite in number.

Question—as we have done—the Taxation Agent of some city of importance, such as Genoa or Milan, and he will furnish you with exact and numerous proofs of this fact, which, for that matter, is rendered evident by a brief examination of the Italian balance-sheets of those companies which, although the work they have done and the goods they have produced are more often than not represented by hundreds of thousands sterling, are yielding no dividend whatever, or only an absurdly small one. The matter assumes striking proportions if we establish a comparison between the activities of the branch establishment and those of the parent firm, between the profits of the former and those of the latter. It is notorious that machinery imported from abroad is for the most part subject to heavy import duties, duties which are extremely heavy if the machinery contain parts made of special metals. The same machines sent piecemeal and without the portions made of these more valuable metals pay infinitely lower duties. How evade this tax, which paralyses exportation to Italy? By the simplest of means: the great German engineering firm sets up in Italy a related firm, either by means of individual infiltration or through those banking relations which may be called extorsive. To this firm the German firm sends the machinery—not assembled, but in parts. And as certain parts of the machinery—because they are made of more valuable metal—are subject to extremely high import duties, even though sent separately, the Italian (*sic*) firm will manufacture these special parts, fitting them to the machinery sent from Germany. Thus, while other

economic advantages are effected, the related Italian firms are reduced to fulfilling a function almost exclusively representative, and their industrial labour is limited to as much as is needful to assemble and set up machinery manufactured abroad. By this the fraudulentness of their balance-sheets is facilitated; to diminish the profits realised in Italy it is sufficient to increase to excess the cost of the parts of the machinery sent piecemeal from the German houses. At the time of the parliamentary debate on joint-stock companies a Roman manufacturer, a person of authority, assured me that on examining the various joint-stock companies of Teuto-Italian origin, quite two-thirds were found to be in the position described above. Meanwhile, in Germany the *A. E. G.* distributed, in 1909, a dividend of thirteen per cent., the *Consolidation Bergwerks* one of thirty-three per cent., and the *Sarrebruck Ironworks* one of seventy per cent.! As will be seen, we are confronted by a ruthless brigandage, exercised wholly to the detriment of Italy; an actual drainage of Italian money for the benefit of the insatiable and paradoxical Imperialism of Germany.

We have spoken of the *A. E. G.* We shall have to refer to it again at some length in connection with its pretended Italianisation, beginning with the changing of its name to that (which ought to have been sacred) of *Galileo Ferraris*.

But the account of the origin and behaviour of the Italian *A. E. G.* is so pertinent that we must give it here in its proper place.

What have we been repeating *ad nauseam*? That Germany does not invest in Italian industries (that is, industries established in Italy) any large capital of

her own; on the contrary, she invests as little as she can, but according to methods and by means of men such as assure this minimum of capital of a real despotism over Italian capital, thus making it serve the political aims and the financial interests of Imperial Germany. We have already cited in our own support the opinion of a German economic authority. And we find that the *Galileo Ferraris* was founded with £360,000 of nominal capital, but that £240,000 of the £360,000 were contributed in ready money by our own capitalists, while the remaining £120,000 were apportioned as a sort of commission to the Germans, who so far have never paid a penny. And these £120,000 are already half redeemed by profits produced by the £240,000—real money and our own. And while the *Galileo Ferraris*, through the mouth of Tommaso Bertarelli, was boasting at a meeting of the rebaptised company of having established in Italy an important factory (at Milan), it is shown by the figures to hand that of the £360,000 of capital in December, 1914, only £120,000 had been invested in the Milan factory.

Not only this, but the *Galileo Ferraris*, on account of orders sent through to the *A. E. G.* in Berlin (which after May, 1915, became Italianised—it is now the *Casa Centrale*), remittances to the value of £499,379 for the three years 1912-14, while in the same three years the Milan house was responsible for a loss of £6520, so that one is forced, without hesitation, to deduce the following conclusion—

*The Milan establishment, set up by Italian capital, was designed to represent an annual burden, and also to extend to the orders sent through to Berlin those higher protective prices which the State and the*

*public administrations are accustomed to concede in favour of national industries.*

This is a typical example of the enormous advantage enjoyed by German capitalists and German methods over the growing industry of Italy.

We have not space here to give documentary proof of the Germanic exploitation of the various departments of our economic life; but, on the other hand, what department can we exclude? In 1913 Germany imported into Italy a hundred tons of needles and pins, to the value of more than £50,000; in the same time three German firms unloaded upon us £8,000,000 worth of electrical material; and in 1909, 954 tons of material for the automobile industry entered Italy—that is, the country which has been, and might still be, at the head of the industry. We have already alluded to the reason of this invasion of automobile material, when speaking of the enslavement of our banks. In connection with electrical material we have alluded to the same subject, but it is as well to repeat here—in the right place—that the German electrical industry is able to domineer over Italy on the sole condition that the system of extortion can still be employed in its favour by the German or Italo-German banks; which, in the act of financing a new industry, force it by agreement to obtain electrical material solely from certain German producers. If we remember that the principal electro-technical groups in Germany have “sub-companies”—as Millioud calls them—in every country, and that to these are joined undertakings of different characters which have close relations with the electrical industry (that is, machine-shops, rubber-factories, submarine cable factories, wire-drawing

establishments, chemical works, etc.), it will readily be seen that many tentacles of the German cuttlefish have been able to get a grip of the industry and the trade of Italy, and to exhaust them even to bloodlessness, only because the tentacle of the electrical industry first got its hold through the banks. It thus clearly appears that the German economic-organisation is a system of conquest which cannot conceive of the tranquil existence of German trade and commerce side by side with foreign trade and commerce in foreign countries, but regards as a rule, and as its right, the suppression of all that is not German. This suppression is not always effected—according to the system already described; most often, on the contrary, the Italian industry is allowed to keep its Italian name, so that the public shall not be alarmed, but will believe that by purchasing the products of this industry it is encouraging our national activities. Thus in Florence there is a *Negozio delle Industrie Lombarde Bianzino e C.*, where the C. is precisely the Austrian, Rosaner, who is economically and administratively predominant. Thus the Germans have taken root in the *Cartiere Miliani* of Fabriano—as we have reasonable proof—which would explain the curious fact that one of the qualities of paper made by the Fabriano mills bears, as watermark, the portrait of Wilhelm II. Similarly, the *Società Anonima Meccanica Lombarda*, whose president is Senator Ettore Ponti, has for director the German engineer Oscar Keller, who is not without importance in any sense, but especially in the sense that the S. A. M. supplies artillery material to the Italian State. At Vado Ligure, an Italian military base, the *Società Italiana Westinghouse*, which should be

Franco-Italian, has been established by Messrs. Kando, the Hungarian engineers, one of whom, the director-general of the company, was an officer in the Austrian navy; the works manager is another Hungarian, Korbuly.

★ Genoa, in 1908, the *Società Ferrobeton*<sup>1</sup> *Anonima italiana sistema Weyss und Freytag* was formed. We shall refer to it again later on in connection with the concessions which its metamorphism was able to obtain from the Italian Government in the midst of the war with Austria and— even without declaration of war—with Germany. Let us examine its Teuto-Italian origin. Founded in 1908, it was constituted with an initial share capital of £12,000 (afterwards increased to £40,000), subscribed entirely by Weyss and Freytag of Neustadt. Indeed, on the 1st of May, 1909, the Annual Report of the Council of Administration stated in so many words: "The Weyss and Freytag Company, which is the first in Germany in the matter of reinforced cement, is lending its efficacious *technical* and *financial* support to the *Ferrobeton* Company."

Shortly afterwards the "Italian" company undertook work in the military ports of Italy, and, with a capital still limited, was able to allow itself the luxury of setting up offices in Genoa, Naples, Messina, Venice, Milan and Rome, and to tackle undertakings like the landing-stages quays for the "Ilva" Company at Naples, the anti-seismic houses at Messina, bridges in Sardinia for the Ministry of Public Works, and some enormous works for the Apulian Aqueduct. In 1912 the headquarters was removed to Rome, but both the president, Commendatore Ragi-

<sup>1</sup> Reinforced concrete.

oniere Davide Viale, and a member of the Council, Cavaliere Avvocato Cunietti, left the company. These gentlemen—and this was the reason they gave for their resignation—were not willing to be decorative masks for German employers who allowed them no initiative. In the two years 1912-13 three Italian engineers, who were managers of branch offices, left the company; only one Italian manager remained, Signor Fioraventi at Messina. Oscar Hüber of St. Gallen and F. Gautschy of Basle remained the principals of the company. In March, 1914, the Rome headquarters was removed from the Via Tritone to the Via Gaeta, and, as though it foresaw the European War, with its anti-German economic conditions, the company took the opportunity to remove every German word from its letter-headings and its advertisements, mutilating even the suffix to the company's denomination—the *Weyss und Freytag*. Henceforth the German *Ferrobeton* company was completely transformed into an Italian company.

We shall see later on how this assisted it—how, owing to the lustre of improvised Helvetianism, it was able to obtain from Italy even military contracts during the war. Similarly, the *Società Metallurgica Bresciana*—formerly *Tempini*—manufacturing bronze mountings for our naval guns—had as its director a German, Lehmann, while the principal shareholder was Commendatore F. Selve, a Westphalian, and founder of the *Banca Commerciale*. Meanwhile, a practical result of this German *main-mise* occurred in the sabotage attempted in December, 1914, at the works of the *Società Italiana per la fabbricazione dei proiettili*, by a German head of a department. This

came near to resulting in perhaps a fortnight of non-production.

In Florence the *Società Toscana Imprese Elettriche* is so extremely Tuscan as to be a direct affiliation of the Schuckert Siemens Co.; only the technical staff, the director, the financial basis and the plant are German. The director, Franco Magrini, is, to be sure, an Italian, but he is married to a German wife, and is President of the *Società per il Movimento dei Forestieri*, which is not a great testimonial of decorous and vigilant Italianity, if one remembers the famous letter of the Marchese Di San Giuliano, Minister for Foreign Affairs. . . . Of Magrini, by the way, a belligerent anti-German newspaper, *La Fiamma*, said that "he was even accused by his dependents of exercising coercion in a Germanophile sense."<sup>1</sup> The vice-director is a Prussian engineer, Dümmler, the works manager a Herr Kollofel, the manager of the forging shops a Herr Bauer. The president of the council of administration is Herr Kapp, residing in Berlin, and among the members of the council are Fritz and Cohen. Hence it is not surprising to learn that the Italian workers of the S. T. I. E. are forbidden, under penalty of dismissal, to speak of the war—that is, in favour of the war; or that one of the employees, Signor Antonio Marzi, a provincial councillor, on the outbreak of the war prudently forbore, for reasons—well, of directorial approbation—to resign from the *Trento e Trieste*, and afterwards joined the Florentine group of Germanophile neutralists.

Let us continue: At Bengasi the barracks, the streets, the Foyat reservoir, the greater part of the

<sup>1</sup> *La Fiamma*, Florence, August 5, 1915.



walls of the fortifications, and the anchorage blocks of the supports of the entanglements, were constructed by the firm of *Bianchi e Stern*, the director of works being an engineer, an officer in the Austrian Army, who passed himself off as an Istrian, and who, in 1911, on behalf of the Military Engineers, undertook further contracts at Derna. Of the *Società Italiana dell' Alluminio*, the vice-president is one Gondheimer, while Von Speyr, Stoffel and Baron von Steiger are members of the administrative council. The president of the *Società Italo-Americana pel petrolio* is Von Hartz; the *Costruzione Meccaniche di Saronno* is a branch of the *Maschinenfabrik* of Eschingen; and the *Cartiera Italiana* (established in 1873) has three German members of council.

At Rochette, at the mouth of the Val d'Astico, is another Germanised establishment, the *Lanificio Rosso*, in which the Hon. Gaetano Rossi and Senator Giovanni Rossi are prominent figures. The director is Herr August Bucker, who at first passed for a Swiss, and then gave out that he was an Alsatian (but not of Wetterlé's type); gathered about him is a whole General Staff, consisting of Herren Riegert, Müller, Dichl, Wir, Conrad, Eckel, Ley, and Thomar.

Wherever we look we find the Imperial emissaries encamped in our midst for the purpose of enriching themselves and spying upon us.

To attempt here a review of the Germanic invasion is hopeless; it can only be hoped that these few examples will suffice to warn the reader, so that on looking about him he will verify the importance of the phenomenon by a hundred further examples, which will not be far to seek.

From one end of Italy to the other the Teutonic

rapacity is equally intense. At Tripoli the dirigible hangar was furnished by a German firm, and erected under the direction of a German engineer and German foremen. At Taranto the electrical equipment of our warships was installed, until December, 1914, by a hundred German artisans, who were specialists, and whom, after that date, the Government gradually eliminated.

In Sicily the asphalt industry, formerly carried on by French firms, is now in German hands, as is also the trade in oranges and lemons and timber, which is carried on more especially with Trieste. The commercial activity of Syracuse was even more completely drawn into the German orbit, and when the war broke out commercial circles of the port found themselves at a loss, and have not yet been able to find other outlets. In order to release the abundant sources of the Syracusan trade, and making a pretext (which to some minds was by no means too intelligible) of a fire which broke out on one of the German or Austrian vessels interned in the harbour of Syracuse, some shipowners appeared, apparently from Hamburg, who—according to information received from an impartial friend of ours, a Syracusan patrician—established a regular export office, which was by no means universally regarded with sympathy or without suspicion, for sundry private telephone installations, and certain arrivals and departures, which were full of mystery, seemed to exceed the requirements of the commercial occupation of these gentry.

In Rome the contract for medicinal supplies to the hospitals of the city was obtained by the German firm of Mariland, whose representative was Commendatore Giovanni Fiore. When the war broke out this firm,

in collaboration with Commendatore Fiore and other German emissaries, established a regular association of smugglers, who bought up, in Italy, the goods of which Italy herself was in the greatest need, and despatched them to Germany, obtaining, through highly paid accomplices, permits of exportation, some authentic and some forged.

At Prato the *Fabbricone* weaving-sheds (2000 operatives) are the property of the firm of Koesler, Mayer and Klingher, who maintain there a German staff two hundred strong. All the work of direction and administration is carried out in the German language.

Another department in which the Italian flag is openly or covertly defeated by the German is that of navigation. The Italian mercantile marine—as was said some years ago—has begun to arouse itself; but it would require a great effort to wrest the supremacy of our seas from a flag which competes so strenuously with our own. Lack of energy and excessive Governmental protection have hitherto kept it in a state of inferiority; we need a more vigilant public opinion; and all our intensest energies require to be directed seaward. But that this may be possible it is an essential condition that we should be liberated from our bondage to the foreign mercantile marine; and the worst of our bondage is due to the German lines. "Hitherto there has been too much drowsiness and too much neglect as regards commercial navigation; now we have got to make-up for lost time, unless we wish to find ourselves strangers on the sea that surrounds us and is ours."

To resolve this problem Salvatore Raineri, in an article in the *Spettatore* of some years ago (entitled

*Come l'Italia potrebbe salvare 50 milioni all' anno*), insisted upon the necessity of creating an *Italian* fleet of steamers (of the "turret deck" or "whaleback" form) adapted to the bulk of our trade.

We Italians pay annually some £1,600,000 to the shipowners who bring us coal (these, however, are not all German), and £400,000 to the foreign ships which bring us cereals from the Black Sea. With a good serviceable fleet we could monopolise an ever-increasing proportion of our maritime traffic—that is, of the traffic in coal and iron, cereals and minerals of all kinds, which forms three-fourths of the maritime trade of Italy.

Signor Raineri suggested that there should be constituted, with this object, following the example of the postal and emigration societies, companies of a purely commercial nature; the country would experience a real and immediate relief, since the mercantile marine has in this instance a twofold function, that of feeding so many national industries, and that of *preventing our money* (the expenditure of which, in the form of import freights, actually increases the cost of living) *from continuing to support those same foreign mercantile flotillas from whose competition we are so eager to free ourselves.*

Since Signor Raineri wrote these lines the condition of our navigation has deteriorated rather than improved, once again by reason of the constraint which the *Banca Commerciale*—as we have elsewhere stated—imposes upon it. For we actually find Frederico Weil, vice-president of the *Commerciale*, on the administrative council of the *Navigazione Generale Italiana*, and on that of the *Veloce*; while Otto Ecker connected with the *Ligure Brasiliana*; Signori (!)

Blankart and Stoffel are members of the council of the *Impresa Navigazione Lago Maggiore*, and also (with Sigismund Schwarz) of that of the *Impresa Navigazione Lago di Garda*. There is a Von Kleist in the *Società Anonima Navigazione fluviale*, and a Giuseppe Volpi (the astute Italian member of the *Commerciale*) in the *Società Veneziana di Navigazione a vapore*.

With East Africa, China, Japan, Australia and Northern Europe, Italy is connected solely by German lines. German ships even ply as coasting vessels along our seaboard; vessels flying the German flag make the trip between Genoa and Monte Carlo; the German flag is flown on the boats which connect Sorrento, Naples, Ischia, Amalfi and Capri. To those who are able to see into the constitution of our navigation companies, to those who do not allow themselves to be deluded by their Italian labels, it will be only too plain that these, which were once the glorious seaports whence sailed for all parts of the world the ships of the merchants and the captains of our race, must now—in an Italy renewed as a nation—salute, day by day, as that of lord and conqueror, the flag of those barbarians who were always pitching their tents in Italy, but were always forced to yield to Italy, to receive every civility in return. .

Is there any need to insist on the economic, political, and moral enormity of this vassalage, especially on the sea, whence three-fourths of Italy drew riches and glory and nobility?

These are precious words which Francesco Crispi spoke on the 20th of July, 1897, when unveiling, in Sicily, a monument to Garibaldi: "An Italy hemmed in between her frontiers, abandoning to foreign shi

ping the seas that surround her, cannot become the Italy to which her great men have aspired."

As we have now and again had occasion to note, the commercial activities of the Germans in Italy are more than willing to display themselves in undertakings pertaining to our military defences; and this point is of considerable importance to our argument, which, most assuredly with no absurdity, attributes to German trade and commerce in Italy a true and proper function of espionage. We are, perhaps, anticipating, in speaking of the industrial and commercial diplomacy of the Germans, what we shall have occasion to say later when speaking of individual espionage.

In reality, in the German commerce of Italy, and apart from the spies who work separately (that is, not tied to offices or factories, and according to the Stieberian system), there are manufactories and other establishments existing and operating in Italy which contrive to associate their economic activities of expansion with a political mission. Their national pride makes them assume either duty with the same lust for success and the same solemnity of application. Here, again, are some examples, limited merely for reasons of space and to avoid monotony:

Some time ago the *Rassegna Contemporanea* noted that many Germans "in the employ of establishments founded (by the Germans) in Italy possess catalogues of our forts, and data concerning altitudes and distances, and the position of highways and by-ways; they have determined points of triangulation, and collected figures and information; and to-morrow, in

the event of war, will accompany and guide the German or Austrian armies of invasion."

In November, 1912, our Minister for the Navy invited tenders for the supply of table silver for our warships. The German firm of Hermann, with headquarters at Vienna, offered a reduction of eighteen per cent., then of twenty per cent., and finally of 21·3 per cent. below the opening price, in order to obtain the contract. And this contract enabled their representative, Herr Forster, to obtain a permanent permit of entry to our naval arsenals.

Why such a delicate document as this relating to . . . silver should have been published is a secret of Governmental benevolence. Certain it is that in August, 1914, Herr Forster, being suspected, was interned in Sardinia, and only then did the Administration perceive the motive behind the extraordinary discount offered by the German firm. But in the meantime Herr Forster, owing to the indulgent decree of expulsion, was able to complete, orally, to the German Staff, the written reports which he had already submitted concerning our arsenals and artillery headquarters, whose sentinels had for a year been presenting arms to him.

An extraordinary rebate on contract prices is one of the best beloved weapons of the German business man who wishes to penetrate a given circle, there to fulfil his true function of spy. Thus in one of our cities near the frontier a German firm, disguised as the *Impresa Nazionale*, undertook the contract for military transport, offering a reduction of forty-nine per cent.

Again, in October the Genoa newspapers were able to announce that the contracts for the supply

electric motors for the navy and ventilators for the fortresses of our eastern frontier had been awarded, *for reasons of price*, to two German firms, whose workmen, being experts in erecting such machinery, were afterwards exempted by the German Government from all military service, and sent back to Italy to continue their patriotic labours.

The installation of electrical plant in the fortifications of Exilles (Piedmont) and various forts in Venetia was undertaken by the *A. E. G.*, the colossal German company which dominates Europe, which had among its councillors the worthy Commendatore Otto Joel of the *Commerciale*. Note the combination: the forts of Venetia, the *A. E. G.* and Otto Joel. . . . What finer opportunity could be desired to spy and to damage, in the way of *sabotage*, our most delicate works of defence? That they did not seize it is their sole act of benevolence.

At Dalmine di Bergamo another German establishment, the *Massermann* works for the manufacture of steel and iron weldless tubing, is situated in an important strategical position near the Austrian frontier. (Note that this firm has already deserved well of its country, inasmuch as it founded, in Morocco, in agreement with the German Government, an industrial establishment which was afterwards to furnish the pretext, by means of the *coup* of Agadir—supposing this succeeded—for a war with France [1911].) The *Gazzettino di Bergamo*, in December, 1914, referring covertly to this establishment, declared that many of its employees were German officers on active service, that a regular daily service of motor-cycles connected the Massermann establishment with the German Consulate in Milan,



and that it was, among other things, a German photographic agency for military purposes in the Valtellina and the Simplon. The Massermann people brought an action against the *Gazzettino*, but at the hearing, on the 10th of April, 1915, after witnesses had been heard, the plaintiffs withdrew the case, undertaking to pay the costs, although the *Gazzettino* offered no explanation or retraction. In our most modest country a politician who should take this way of settling proceedings initiated by himself in respect of defamation would himself be morally "settled." It is needless to add that the administrative council of the Massermann establishment includes the customary Giuseppe Toeplitz, director of the *Commerciale*!

Yet another example! At Pracchia Pistoiese is the *Metallurgica Italiana*, which supplies millions of cartridges to the Government; the Milanese branch, which is extremely important, is directed by a German Swiss, Herr Schwendimann.

At Monte Amiata, between the provinces of Grosseto and Siena, the deposits of mercury—which are so rich that only the deposits of Spain exceed them—have been ceded to Germany, who, in order to undertake their exploitation, has spent about £2,400,000 upon them, the greater part of which is personally subscribed by the Emperor. Now, the German works on Monte Amiata are extremely mysterious; no Italian is allowed to visit them, so that the members of a recent scientific Congress had to content themselves with what they could see from the foot of a great wall as thick as the bastion of a fort.<sup>1</sup>

<sup>1</sup> We shall speak of these mines again in the chapter "At Open War," in connection with the failure to redeem them, though at one moment this could easily have been effected.

Another suspect establishment is the Röckling firm, the Milanese branch of a Frankfort house, whose director, Fritz Röckling, is a captain in the reserve. Its attorney, Eugene Murer, and its Naples representative, Oscar Schneichkardt, were in continual communication with the German Embassy and the deputy Erzberger, and with the German prelate, resident in Rome, P. M. Baumgarten, until their ranks were thrown into disorder by the arrest and expulsion of Schneichkardt.<sup>1</sup>

An interesting instance is that of Venamartello, near Ascoli, with which Signor Bacci also has dealt, but without speaking of an important precedent. The precedent is this. Some time ago it was suggested to the Government that there was room for a strategic railway which should follow the course of the Trento and connect Ascoli directly with Rome. The military authorities considered the proposal, but let it drop; the Germans, on the other hand, held on to it all the more firmly.

The fact is now even more intelligible, for a Frankfort firm undertook the construction of the Venamartello Hydro-Electrical Power Station, losing thereby, as *previously estimated*, over £40,000. But it was thus enabled to secure, undisturbed, complete topographical data of the long tract of land extending from the Adriatic to the Apennines; what is more, the chief engineer, Goldstein, was able to obtain

<sup>1</sup> *Op. cit.* p. 131.—Herr and Frau Röckling took part in the banquet given in February, 1915, by the Prussian Legation to the Vatican, in honour of Erzberger, the deputy of the German Catholic Centre, who came to Italy in order to confer with various Italian politicians, and to urge them to declare themselves in favour of absolute neutrality and agreement with Austria.

soundings of the depth of water along our coast, and was afterwards able to procure, through a photographer, of the Marches, large photographs of all the sectors of the surrounding region, *up to twenty-five miles from the belt which was of interest to the works.* And those who made inquiries for Goldstein in the German city named by him found no trace of his name even, and the company with which he claimed to be connected had never heard of him. . . .

Dealing in various articles with the question (first raised by the present writer many months ago) of the very dangerous relations between the German banks and the electrical industry in Italy, the *Idea Nazionale* pointed out (in September, 1915) that in Venetia the monopolisation of electrical undertakings by the Germans amounted almost to 100 per cent., and that it was also extending to companies of small importance, whose headquarters were always contiguous to small centres of the greatest military significance.

The numbers of examples mentioned threaten to turn this book into a sort of anthology (in schools, however, it might be used to good purpose!); it is time to call a halt, the more so as we think our readers must be perfectly convinced that in this chapter, as in others, this volume may be accused of many omissions, but not of false inventions.

We will give, however, yet one more example, just as it reached us—that is, with a reserve which we must, of course, respect—from one who figures in the industrial world—a stranger, it may be added, to political questions, which confers a still greater value on his general comments.

“It appears to be irrefutable,” he writes, “that a Teuto-Italian company” (and again we are con-

fronted by those organisations of counterfeit nationality which we have already described), "in addition to the Arsenal of Taranto and the defences of Messina, is at present working at La Maddalena. A friend assures me that in other localities, also of a military character, this company has already commenced, or is about to commence, important contracts; as soon as I know of these I will specify them.

"Everybody knows how costly, especially in these moments of anxious trepidation, is the service which our General Staff has been obliged to reinforce in order to defend us from espionage. To realise the alertness and severity of the surveillance exercised on all sides of our military works, even those of small account, it is enough to approach them with a camera. Well, while on one side an attentive watch is kept, on the other the gates open to foreign engineers, master-masons and foremen, and they are officially granted the right to move about with absolute freedom in our arsenals and military headquarters.

"The Teuto-Italian company to which I have alluded is, like so many others, directly affiliated to a large German firm engaged in the erection of structures in reinforced cement. One member of its administrative council is the same engineer who gives his name to the parent firm. It may be that in some of the numerous branches scattered all over Italy (in Rome, Milan, Genoa, Naples, Messina) there are Italian administrators as well; it is the fact, however, that nearly all the engineers are German, as are the master-masons and foremen. Apart from this, if all the agents of the Society were Italian, which, I repeat, is not so, the peril would not be eliminated, since the foreign councillors of the company are obliged ex

*officio* to have knowledge of the work which is executed, and have the right to visit the dockyards in which the contracts entrusted to their establishment are to be executed.

"To complete their knowledge of all our affairs it must be remembered that the same company undertakes contracts for private establishments, also so that I have found it at work in the dockyards of the Ilva Company at I Bagnoli, and at Trapani, Piombino, Palermo, Ancona, Bari, Naples, Venice, etc.

"As you see, these German engineers, master-masons and foremen have an open field in the pursuit of special knowledge of much that concerns us, and perhaps it is not for nothing; while they ought to be in their own country, defending its destinies sword in hand, we find them still here in our naval dockyards, or directing their Italian establishments."

We could not close this chapter without insisting on the political and commercial danger—also from espionage—inherent in the gigantic economic mortgage which Germany holds over our country.<sup>1</sup>

<sup>1</sup> Not to encumber the text of this chapter with too many examples, we give here—but only incompletely—an instance of the German infiltration in *one branch only* of Italian industry—namely, in the textile industry—

*Banco Seta* : vice-president, Leo Bodmer ; members of council, Schäfer, Schwarzenbach.

*Torcitura di Borgomanero* : president, Eugene Meyer.

*La Seta* : president, Dollfus.

*Industria Seta Cuccirine* : manager, F. Scheyer.

*Lanificio di Gavarado* : vice-president, Luchsinger ; member of council, Widmer.

*Filatura di Tollegno* : director, Scheidle.

*Manifattura Trezzi* : vice-president, E. Kolliker.

*Cotonificio Valle Seriana* : vice-president, Vogel ; member of council, Widmer.

The danger is extremely grave, but it is equally natural, and we should be astonished if Germany, the great organising Power, had neglected such a weapon. Granted that her aim is to defeat every political rival, and to prevent all economic competition, why should she not seek to combine such a twofold aim with a means that in itself is doubly efficacious? Commerce and industry increase the external force and the international credit of a people, give it a means and a pretext to allege political rights, to enlarge its territory, to dictate laws to lesser nations.

Here, then, is the most vulnerable point, whereby Germany sees that she can condemn the future of a people to destruction, drag it in her own wake, force her own politics upon it, her own tastes, her own language, her own citizens.

It is a perfect system of extortion: "If you do not shout for Germany I starve you." Do you require an example of extortion on quite a small scale? Here it is.

The *Société Alsacienne pour construction mécanique* has its works at Grafenstaden, and the director was an Alsatian, Heyler.

Heyler is a French Alsatian; tenacious, pugnacious, patriotic; an obstacle, therefore, to the Germanisation of Alsace. Therefore Berlin asked the company to

*Manifattura Italiana Juto*: councillor delegate, Dietzsch; members of council, Fuckel, Scholler.

*Iustificio Napoletano*: president, Wemaer; members of council, Dietler, Berner, Schläpfer, Reichlin.

What we believe to be a complete, and in any case a very full account of all the Italian industries penetrated and dominated by the Germans will be found in G. Preziosi's *La Germania alla conquista d'Italia*. Second Edition. Rome, 1914.

dismiss their manager; asked it openly and brutally, "*because of the Alsatian nationalism with which the person mentioned is infected.*" The company shuffled; it was not anxious to submit to the insult; so the company was officially advised that if it persisted in its refusal it would receive no more orders from the German State Railways. These orders are almost the life of the company, which therefore gave way and sacrificed the manager. The Germanisation of the district moved one step forward. Is this clear?

And here is an example of moderate extortion in which Italy is the victim. We have already stated that aniline dyes in Italy are entirely, or almost entirely, monopolised by the Germans. Well, in February, 1915, Signor Lombardi, an engineer, drew attention to this characteristic fact, mentioned also by M. Millioud, in the *Revue Suisse*—

"The Italian firms which make use of aniline colours, especially for the cotton-printing establishments of Lombardy, have almost exhausted their stocks, for which they depended wholly upon Germany.

"The German Government permits the export of aniline colours only in exchange for other classes of products which are necessary to it; but the commission appointed to solve the problem continues to say first one thing and then another, and lets the affair drag out from month to month. In reality—assert the Lombards—the product which Germany wants to obtain in exchange for her dye-stuff is—our neutrality."<sup>1</sup> Is this also clear? It certainly seemed

<sup>1</sup> This was suspected by Signor Lombardi, and was confirmed in April, 1915 (that is, two months later), by the following evasive (Teutonic) communication to our Minister of Agriculture, Ind

so to the *Società Chimica Italiana*, which at a meeting held in Rome in April, 1915, after a discussion sustained by Professors Serono and Peratoner and Senator Paternò, conveyed to the Government its unanimous resolution in favour of some form of legislative assistance of the chemical industries, which were inspired by a firm resolve to liberate themselves from dependence on foreign countries.

Before proceeding further let us profit by this mention of the aniline problem in order to prove yet another assertion. The textile industries in Italy are highly developed, and it cannot be denied that the Germans have furthered this development. However, the mere fact that they have opposed in every possible way, or have excluded from their own schemes of activity, the national manufacture of the aniline colours which are *indispensable* to the cotton-printing mills,<sup>1</sup> brings into relief—with the practical

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and Commerce, from whom the *Museo Commerciale* of Milan had endeavoured to find out whether Berlin was keeping the promise to send us certain large consignments of aniline. "Since the 17th inst. the German Office for permits to export chemical products, with the idea of effecting the promised exportation, in exchange for other goods, has invited the German makers of dyes and colours to communicate facts relating to their uncompleted contracts for the supply of colours in order to proceed to distribution. When the replies arrive forms of permit will quickly be drafted by the German Ministry for Foreign Affairs, which, having checked the total quantity, will send the said permits for all the factories, so that the goods may be ready promptly." It is perfectly clear that the goods would have been ready only on the day when Bulow declared that Italy *deserved* her aniline colours.

<sup>1</sup> And Carli writes (*op. cit.*): "The fact that Italy was obliged to import from Germany £2,000,000 to £2,400,000 worth of chemical products annually was in itself serious only because it that in this way an enormous number of industries which



example of the system of ransom explained below—the German method of never *completely* organising a given industry in a foreign country, but of reserving to Germany the production and distribution of *something* which is not the said industry, but without which that industry cannot exist and develop in freedom. That is, it is always necessary to look to Germany for one of the *vital links* of the industrial machinery which Germany glories in having set in motion in our midst.

This is precisely what Signor Barzilai said in his speech at Naples (September, 1915): “Now the war has broken out and the German markets are closed, we have seen how many of our productive cycles are deprived of one link, a link which is to be found in Germany.”

Note, for instance, that iron alloys are produced only in the smallest quantities in Italy, and that the imports amount, on an average, to £169,920 annually (Carli), and through this dependence, which might appear of secondary importance, is forged the chain which fetters our manufactures of steel, and above all of special steels. And the pharmaceutical industry was similarly paralysed, because we had to depend on Germany for the alkalis which might have given life to the perfumery industry as well. It is perhaps worth while, so that we shall not seem to complain unduly, to quote here what Signor Carli has written of the mechanical industries—

“It is enough to enter a cotton-spinning factory, or a weaving-shed; on the spinning machinery we

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could not exist without chemical products came to depend on Germany.

shall see no lettering but this: *Société alsacienne de construction mécanique*. Only the motors and the coffers may perhaps be of Italian manufacture. It is enough to enter a paper-mill to see that the great plant for the transformation of wood pulp into paper has come from Germany."

And here is another example, which, we believe, is unfamiliar.

Commendatore Braida, in a letter to the *Idea Nazionale*, which led the way in our vigorous and patriotic campaign against the Germans of the *Banca Commerciale*, wrote frankly that he had often had recourse to the *Banca Commerciale* for his industrial ventures, that he had been supported by it to the tune of hundreds of thousands of pounds, but that in his frequent and considerable relations with the bank he had never found that it tied his hands in any way or made its support conditional.

Now, Commendatore Braida, in writing thus, is erring at least in memory, for we know of something that refutes his statement. A prominent Italian paper manufacturer, Signor N——, had thought of establishing a cellulose factory in the province of Ferrara. Commendatore Braida, councillor delegate, had sent chemists and engineers to study the cellulose industry in Germany, and had concluded—contrary to the opinion of his technical experts—that it would be possible to start this industry in Italy, of course preparing oneself to lose something in the first few years in order to overcome the German, or rather Austrian, competition.

Needing capital to launch this undertaking, Commendatore Braida had recourse to the *Commerciale*, but the bank replied that it would con-

tribute nothing for the establishment of a cellulose factory.

This is intelligible. If the paper-milling industry were assured of a free, convenient, internal and—in time—less costly supply of cellulose, it would be liberated from its subjection to Germany.

This the *Banca Commerciale* could not and did not desire. Financially its aim is confined to impeding the independent growth of Italian industry; but at the same time this result follows: the Italian industries—incomplete, and financed as explained—increase in Germany the sales of those products which complete them, so that the pretended disinterested support afforded them resolves itself into a highly interested and usurious support which always favours the German economy. Thus far and no farther extends the Germanic benevolence, which sometimes, as we showed in the last chapter, achieves also this result: that it not only substitutes for Italian products the new German equivalents, but occasionally substitutes inferior and harmful products.

Is it our place to be grateful? By no means!

Now we will proceed from instances of ransom or extortion on the small scale to an example of vaster proportions. It is connected with and even based on the monopoly of our navigation which Germany has acquired. It is evident that the eastern shore of the Adriatic and the countries of its hinterland ought to be for Italy, the nearest Power, an excellent sphere of commercial penetration (we mean that sort of commercial penetration which has no ulterior aim, and does not—as does that of Germany—wear a pacific mask over a face distorted by the greed of political conquest). On the other hand, the Govt

ment's support of Italian initiative in the Balkans has had very little success. It is really the case, as we mention elsewhere in speaking of the German banking policy in Italy, that all the Italian undertakings in the Balkans are financially dependent on the Italian *Banca Commerciale*. The origin of the infection and of the present injurious state of affairs is very easily traced. The fact is, that we very well might—as Greece has done—have exploited (in the best sense) our intended neutrality, in order to displace, especially in the Balkans, both Germany and Austria, whom the war necessarily kept at a distance from this field of exuberant Teutonic activity. And instead of this we have stopped at home, and have done even less than we did in normal times and when competing with the Central Empires.

This is shown also by the fact that the *Società di Navigazione Puglia* of Bari "suspended, without justification, the subsidised lines plying along the course of the Boiana. The pretext? The European War! Really the war should have served as an incentive to double the lines and to increase the frequency of service.

The explanation is found in the fact that the *Puglia Company* is in the closest relations with the *Banca Commerciale*.

And, as the *Quotidiano* of Bari shows, the fact that the *Puglia Company* is in the hands of the *Commerciale* means that it is possible for the latter to oppose the Balkanic future of Bari, which the *Puglia Company* would closely connect with the Albanian coast. The agents of the German instructions were Senator Balenzano and the ubiquitous Commendatore di; and it was by their efforts that the oppressive

contract was concluded with the *Banca Commerciale*, in virtue of which, and as a result of the transfer of shares, it had the right to intervene at the meeting of the *Puglia* Company with the results afterwards seen, and of which the *Idea Nazionale* (19 April, 1915) sorrowfully explained the facts—

“The patriotic action of our diplomatists and consuls has not succeeded in imposing a different management upon this company. Only after many months of insistence did it decide to sublet one of its steamers to a well-known firm in Venice, which in turn sublet it to another firm, which has sent it to ply on the *Boiana*, asking for absolutely prohibitive freights, such as created a sensation. For a few hours’ passage a bale of goods, of a maximum weight of two hundredweight, pays a sum of seven to nine shillings, as though it were a matter of crossing the ocean and back, and the shipper appears to have no right to expect that any one will listen to his complaints of miscarriage, neglect, or excessive imposition of tariffs. It may be added that the goods are further burdened by enormous charges for disembarkation, which are utterly unjustified, as the vessels run directly alongside the landing-stages.”

Nor is this enough. Other financial companies, which, with the usual counterfeit of nationality, made a parade of their Italian activities, and had obtained protection and subsidies from the Government, have suddenly suspended their activities according to the word of command sent, from Berlin or Vienna, to close, as far as possible, all paths by which the anti-Germanic Balkan States can be replenished. Thus a transport company, heavily subsidised by us, discovered, at a given moment, in order to serve

German plans, that it had not sufficient coal to continue its work of transport, so that it was obliged to suspend or limit its services. And our Government still pays the subsidies. . . .

This state of affairs, to those in the Balkans—and they are in the majority—who are not acquainted with the shameful secrets of our economic vassalage to Germany, reveals an insufficiency, an indolence, and sometimes a dishonesty which reflect upon the Italian flag, and shake to the foundations our moral and political prestige in those countries which ought, economically speaking, to be the object of our utmost care.

Thus, with injury and humiliation, Germany is making us smart for our neutrality; she was not able to send her army corps suddenly against Verona, but she telegraphed from Berlin her orders to the Great General Economic Staff residing in Italy. And this Staff has executed her orders to-day as it has executed them for forty years, in order to deliver into the hands of Germany an Italy economically German; that is, with her hands and feet tied.

We cannot better—that is, more dolefully—close this chapter than by an allusion to two of Italy's ventures at external expansion: in Angola and in Adalia. The two constitute the chief and unique fruit of the great German banks working in our midst.

If we have not spoken of them in the chapter dealing with banking this is because, although the banks were the agents of dissolution, the disaster really touches us in the commercial sphere, as we shall proceed to explain.

This, then, was the Angola affair as expounded

by Signor Corradini.<sup>1</sup> In 1912 an Italian syndicate was formed with a view to commercial and agricultural exploitations in West Africa; that is, in the wealthy Portuguese colony of Angola. A golden opportunity, it was believed, and a competent commission confirmed this expectation. It seemed also a settled affair, because an option was obtained for the acquisition of hundreds of thousands of acres of cultivable soil near the Lobito-Catanga railway, and because Italy would be established as the favoured guest of the Portuguese Government. On the contrary, the whole thing evaporated, because it could not be settled with promptitude. Could not—or was there a lack of good-will?

The reader can guess, once he is told that the mediator selected by the Italian Government was one of the gentlemen of the *Banca Commerciale*. To tell the matter briefly, after delay upon delay (in no wise justified by technical criticisms as to the value of the enterprise), the day came when it was discovered that in the meantime the *Deutsche Bank*, the austere and vigilant parent of the *Commerciale*, had bought a share of the Lobito-Catanga Railway, with accompanying rights over the adjacent territory. And so ended a magnificent and purely Italian enterprise, which might have provided, moreover, a safe, decent and constant outlet for a genuine agricultural emigration.

And now we come to the better known affair of Adalia.

In a speech delivered at Naples on the 16th of September, 1915, Signor Barzilai alluded to the terrible mistake of an alliance with an Austria pre-

<sup>1</sup> E. Corradini, *Ètâ servile* in *op. cit.* p. 37.

eminently desirous of besieging us economically, and of blocking our every means of access to that which meant our future: the East, because that future clashed with Austria's interest in the march upon Salonika. He continued: "When, by agreement with England, Italy obtained a railway concession in Asia Minor, in Adalia, the spectres of her Allies followed her. Each according to her method: Austria, who had never thought of the matter, claimed a zone adjacent to that in which the Italian railway was to commence; and Germany (the fact was not known, but is typical) hastened to send thither agents of the *Deutsche Bank*, who, under the pretext of selling agricultural machinery, sought to buy up the territory through which our line must run."

Signor Barzilai's speech describes in outline the web of the Austro-German schemes against us, which were devised and carried out in the full fervour of the alliance. Now, the particulars of the fact—which Barzilai could not expound—are almost more edifying than the fact itself, for us who wish to understand not only the betrayal of the Allies, but also the means which facilitated it.

We must go back a little, therefore. Since Turkey granted concessions not to States but to economic corporations which represented States, let us see what Italian firm it was that negotiated the Adalia affair.

Not the *Banco di Roma*, although it was installed at Constantinople, but the *Società Commerciale di Oriente*, that company which derived its origin and its function from the *Banca Commerciale*, that company—note—which was incarnate in Commendatore Volpi, the wrecker of the Treaty of Ouchy, the wrecker of the *Puglia Company*, the man who ought to be re-



to defend and favour the German-Italian symbiosis of finance and politics, beyond the limits of neutrality, even to those of "neutralism" and "contrabandism" and political espionage as expressed in such of his epistolary and journalistic declarations in Germany as relate to the possibility that Italy—*even during the war*—should direct her policy away from rather than toward the Entente. "High treason!" some will cry, and they will not be wrong. But here we are not judging Giolitti; we are considering the extension of the mortgage which the economic policy of Germany has held over the life of Italy, in order to dominate in peace, and in war to neutralise, the living energies of an allied nation in whose midst—both openly and under local disguises—all her agents had installed themselves.

## OPEN WAR

### TRICKERY—METAMORPHOSES—INCAPACITY

*"We must of common accord labour not only on the battlefield or on the sea, not only in the air and under the waters, but also in the most essential sphere of industry, on our lines of communication, and in the field of finance."*—H. H. ASQUITH.

It is, then, plainly demonstrated that in our Italian economy Germans and German institutions had the function of parasites, and that we owe not a shred of gratitude to the people which, to be sure, organised our financial and industrial life, but did so to its own exclusive advantage, proving this by the hindrance and the destruction which awaited such initiative of ours as, by the fatality of things or the rare independence of those inspiring it, threatened to shake off or to refuse the Teuton yoke.

Then came the entrance of Italy into the war, beside the Quadruple Alliance and against Austria.

The declaration of war against Germany, Austria being her ally and disciple (especially in the economic field—so much so that in April of the current year Germany was even taking possession of the agrarian reserves of Austria), has not yet been uttered after eleven months of war (April, 1916). This is not the place to discuss the political and military motives which counselled Italy to withhold

it.<sup>1</sup> Yet the absence of final rupture places Italy in a very strange position, which we shall discuss in these pages only as it refers to our subject.

In effect, while Italy's whole military strength was being brought to bear upon Austria, and while every day of war, with our slow but heroic advance, and our naval and aerial bombardment of the Adriatic coast, showed the evil of the frontiers imposed upon us at the close of the last war of independence, on the other hand the mechanism of our internal life of finance and industry showed, by the light of facts as well as of theory, that the economic frontiers imposed upon us by our ex-ally, Germany, were equally evil, so that it might well be said, and may well be said, that the Italian Government is making war upon Austria, while popular feeling and popular common sense are making war also, and above all, upon

<sup>1</sup> As to the equivocal pretext that there had been no declaration of war between Italy and Germany, it seems to me that the words of our Allies themselves have some weight. On the anniversary of the war they thus recognised the (so far) not very apparent obviousness of our situation: "It is true that Italy has never made a formal declaration of war against Germany, but it is not difficult to understand the cause. There are internal situations in each of the Allied nations which it would be imprudent of the other members of the Alliance to examine curiously, even when they possess all the information necessary for this operation."

"The attitude of Italy towards Germany and that of Germany towards Italy are not less obvious even if they have abstained from declaring war. The adhesion of Italy to the Declaration of London is conclusive. Italy has pledged herself not to make a separate peace with the enemy, and with that pledge, made with full knowledge of the proposals of the Allies, she bound herself, with them, to the realisation of these proposals. Among them are conditions which directly and exclusively refer to Germany, and which Germany will not accept unless conquered."—*The Times*, May 24, 1916.

Germany. The bulletins of Cadorna speak of the Austrian enemy repulsed at the frontiers; students, journalists and financiers speak of the German enemy concealed in the heart of Italy. And indeed our war of independence is directed and subdivided thus: the army against Austria, the nation against Germany. Once more history has entrusted Italy with a problem of war which is harder and stranger than that which the other nations have to solve.

Such a state of affairs has to an enormous extent affected the results of the conflict, as well as the very manner of the conflict.

Ignoring the Austro-German Alliance from the diplomatic and military points of view, the Italian Government has not been able to do much against the German oppression. Gradually, as spies have been discovered, the Government has condemned or expelled them; gradually, as the German agents have gone too far in their anti-Italian labours, the Government has interned them, according to a general criterion which has been applied to all foreigners, even to neutrals, when it has seemed proper.

But for true and genuine Governmental action, apart from certain academical affirmations of Barzilai's, we shall look in vain. Even when—as in the case of the *Commerciale*—public opinion, Parliamentarians, and the newspapers represented to the Government that the industrial and financial situation was a danger to us, and that it must therefore be resolved with categorical energy, the Government did not dare to face such a situation, or to advocate an official expurgation which would have appeared an act of hostility against “non-hostile” Germany.

Substantially there have been forming and matur-

ing in Italy two different—and, to our mind, hostile—conceptions of our war; two conceptions which damnably resemble the two conceptions which the French have formed of their war. In France there has been, and is, much discussion of this sophism: that France is making war upon the German *Government*, but not upon the German people, and that for this reason the German people must be treated with a certain consideration and a certain fraternal precaution. This consideration—let us say it for the famous *solatium miseris*—finally reached such a point that in April, 1916, the French magistracy, in the person of the Advocate-General, Godefroy, very nearly rendered ineffectual the already very tepid institution of the sequestration of enemy property, by admitting enemies to plead in Court their economic rights anterior to the war, so that we might have seen—all honour to the chivalrous nature of the French people!—a Zeppelin commander, who had killed fifteen persons in Paris, claim before the French magistrates an ante-bellum credit granted to the father or husband of one of his victims.

In Italy there is much discussion and equivocation concerning the sophism of war against Austria but not against Germany, and this discussion is in support of one or the other of the two following conceptions—

(1) We are officially at war only with Austria, but the European War was declared by the Germans against the whole civilised world, hence against us also; and the Germans, in conducting war, as they do, in a spirit of world-rapine, are without pity and without respect for the law of nations. Therefore we have to conduct our war against Austria in the military sphere, but against Germany we have to fight

in all the other spheres of life, until she shall be placed in such a position that she can do no more harm.

This conception is that of the vast majority of Italians, of patriots, combatant or non-combatant, and even of the Government in its speeches and official documents.

(2) We are at war with Austria and not with Germany; and Germany, on her side, although we are attacking her ally, has not entered the field against us. Let us avoid, therefore—even during the war—all that might clash with or offend Germany, or make her treat us as an enemy; and let us, on the contrary, from to-day, consider the resumption of partial relations with her, and the renewal of business which must follow on the conclusion of peace.

This second conception is held by and unites the partisans of the *ancien régime* and a few impenitent dreamers who see Germany as our protector.

Thus compared, of the two tendencies, Governmental and popular, the popular tendency, although less coherent, has been more effectual and more sincere, precisely because the people has of itself felt that it was its duty—in the absence of the Government—to advocate war upon Germany.

The first manifestations of popular hostility took the positive form of a boycott of everything German.

The people could not issue decrees; it confined itself, therefore, to a sort of summary judgment.

After the popular demonstrations, and a few trifling and exceptional instances of material damage (from which examples of violence the Italian moderation suddenly refrained of its own accord, fearing it might change into cold-blooded vandalism), in some cities,

such as Milan, the German nuisance disappeared. It disappeared precipitately and completely from the first, which was easy to foretell (as we shall show later on), as even this sudden disappearance before the tempest was among the plans of the Germans, and because it was reduced to a prudential concealment, for the time being, such as is practised in Nature by certain animal species of the most aggressive and treacherous habits.

At all events, they disappeared, the genuinely German firms, German in name and in fact and by confession, and on this side of the Alps they were no longer to be found.

But we at once warned the people of this fact: that the frankly German incrustations on our organism were now and always in a very small minority, and, moreover, did not represent the authentic danger, which resided, on the contrary, in the establishments, or men, or industrial companies which appeared Italian by name and by origin, but were really completely German or Germanised.

These were the most dangerous, because they were never isolated organisms whose extirpation might guarantee the exhaustion of the *virus*; because they were linked up with an unending series of other companies and establishments, which ruled the national economy at second-hand. This was the ugly and perilous reality that inspired our campaign against the *Commerciale*, which involved those groups of factories and business houses which were supported or controlled by it, and which were often merely the mimetic expression of as many German groups—German by origin and by residence.

Our campaign did not, perhaps, instil into the

popular mind the extensive future consequences which it had in view, but it did at least awake in the people a lively, if vague, consciousness of the danger thus masked. And when it could the people pounced upon the German wares at times concealed by the Italian tricolour, and denounced the counterfeit.

But the people's sphere of influence was, in the nature of things, limited. It could insist on the closing of a beer-house, or obtain the dismissal of waitresses or bath-house attendants; it could noisily boycott the performances of Viennese light operas, and of those re-christened in the name of hypothetical Italian authors by the venal shrewdness of chief comedians, but it could not go much farther. And it must be admitted that this was little. Not only this, but this primitive mode of attacking German goods rekindled the mimetic ardour of the Germans, who knew that when they had avoided the reef of the popular hatred of the *forms* of things they would be able to rest secure that no one else would dispute with them as to the *substance* of their enterprises, and that as to the forms they had not very much to fear: it was enough to wait a little until the popular tempest should have abated, and then, to certain Milanese bathing-establishments, and certain Neapolitan beer-houses, and certain Red Cross committees they would be able to send back their bath-attendants and waitresses and nurses.

In the great banks, then, and in the larger industries, where the people could not penetrate, there was by no means such need of prudence. It was enough—as has elsewhere been said of the genuine secret service agents, who are not here in question—it was



enough to assert that all the gentlemen of Munich or Nuremberg or Vienna or Frankfort or Leipsig were authentic natives of Switzerland or Poland or Dalmatia or Alsace, but above all of Switzerland, because the confusion of tongues and races in Switzerland allowed of Teutonic accents and Teutonic names, and gave them the sanctuary of the impartial Helvetian neutrality, ready to protest against any attempt at violence, from whatever side it threatened. Switzerland! Oh, we are well aware of the fundamental honesty of the Swiss nation! We know perfectly well what a difficult life Switzerland has had, and has, to lead, in order to sail over the reefs of her geographical position and her ethnical admixture! We know, we know . . . and we know, too, that if it seems at times that she has conceded something to one side, it may be only with the honest expectation that she will be obliged, and be able, to concede as much to the other side.

However, this recognition of Switzerland's loyalty cannot dissuade us from asserting that nothing was more terribly dangerous, especially to the Latin nations of the Entente, than the existence of Switzerland on our frontiers.

And nothing was more providential for the politico-economic *personnel* of Germany when pressed by the enemy. Switzerland, a neutral country situated right at the heart of belligerent Europe, was for the Germans a very providence.

In conformity with the famous "Delbrück law" relating to the legalised and qualified de-nationalisation of Germans, the latter had adopted the nationality of the peoples who granted them hospitality.

What Emil Ullmann did in France, and Kosbury

in Russia, and Denkmal in England, Germans great and small did in Italy.

They mingled in our national unity, thanks to a nationality cunningly acquired, and there they exploited, silently or arrogantly (two methods which succeeded in imposing themselves upon us with equal success), the country and its citizens. When the country perceived its unfortunate acquisition it was too late; as in the time of ancient Rome, a vast and laudatory *clientèle* followed these gentry to the bar, and there defended them and praised them in the hope of promised benefits, or out of gratitude for benefits already received.

The outbreak of the war, which often rendered futile—where the Governments were wise and energetic—this ethnico-political fraud, inclined those Germans who dared not remain and pretend that they were morally citizens of the State with which their country of origin was at war, toward the assumption of the Swiss nationality.

Thus Helvetianised, they were the most audacious and successful allies of Germany beyond her frontiers. They assured her of the continuation, even though reduced, of her exports, and of those imports which she most desired; they found, right in the heart of the enemy nation, time and means to elude its defensive economic enactments; they themselves were the unforeseen—if not unsuspected—connection between the Berlinesse brain and the Italian hand. Nor was it necessary to have recourse directly to Berlin or Munich, “because the same mechanism of transplantation which they had adapted to their persons they had also adapted to their establishments.” Any

They adopted this system even for the banks. And it would

industry which could not with impunity continue to carry on its own business with belligerent Italy from Germany or Austria had only to establish itself in Switzerland as a branch establishment of modest proportions, and to disguise itself as an independent parent firm, in order to carry on a trade between Switzerland and Italy which, in its true shape, as a trade between Germany and Switzerland, could no longer have been possible. We do not say that this comedy was not evident to our manufacturers, but the majority of them did not move an eyelash, did not speak a word to reveal its essential nature, for their duty to their country weighed with them less than the immediate advantage of still obtaining from Germany those raw materials or that machinery or those products which were required by their industries.

Some ostensibly argued thus: It is certainly true that by lending myself to this farce I allow Germany to continue to carry on the trade which the Quadruple Entente has undertaken to strangle in order to subdue and discomfit the German economy, but actually Germany, in sending me her products, favours an industrial activity in Italy which inflicts

be superfluous to say this if there had not been a recent example of the system in April, 1916, when the *Schweizerische Kreditanstalt*, with Dr. Julius Frey for president, became so intimate with the *Rheinische Kredit Bank* of Mannheim that there was an exchange of administrators between the two banks. Now whose will consider the permanence of Otto Joel and Weil in the *Banca Commerciale*, and the conspicuous position which Frey held, and to some extent holds yet in the great industrial banks of Italy, will at once see that the Swiss banks have come to be outposts and branch establishments of the German banks, and the organs of control between Germany and Italy.

injury upon her and her Austrian ally. This insidious reasoning, however, does not take this fact into account: Germany knew that with greater patience our manufacturer would have found what he wanted elsewhere; hence—granted that our industries would in any case have been supplied with what they needed—it was still expedient for Germany to furnish it herself, and thereby to cement the relations between Germany and Italy (on which she counts for the future), and in the meantime to accept orders for which Italy paid her in ready money, a detail anything but indifferent in the exceptional financial conditions of the interior of Germany.

Our business men did not reason thus, and so it happened that money and goods passed through Switzerland which prolonged and are prolonging Germany's powers of resistance. Moreover, their renewal of Teuto-Italian relations confirmed the commercial habit between the two nations, and it was Germany who gained thereby, who, apart from military vicissitudes (which, between the surrender of Kut-el-Amara and the impregnability of Verdun, were no longer very favourable to her), was setting her hopes—as we have already stated—on a programme of external action, which might enable her to avoid economic defeat and commercial impotence upon the conclusion of peace. This programme was announced by Professor Bernardt Harms, in April, 1916, in a thesis which was discussed with satisfaction by the German newspapers just as the Economic Conference of Paris was commencing its labours, which were certainly disquieting from the point of view of Germany's economic militarism. Professor Harms, in an aggressive volume, explaining the par-

ticipation of Germany in the trade and navigation of the world, declared that "the economic life of Germany after the war will be ready to carry on its world-commerce as before the war, and perhaps better than before."

Hence *the necessity of maintaining and extending commercial relations with hostile countries.* It is certainly true that this tossing of the Germanic head is met by the provisions taken by the Paris Conference under the leading inspiration of England, whose Chambers of Commerce loudly demanded a system of fiscal protection; but in the meantime the damage done by German activities in the heart of the enemy nations, and the imperfect conception which our economic circles have formed of what is necessary and obligatory from all in such a war, have rendered considerably more arduous the accomplishment of Europe's redemption.

One of the most terrible impediments to this redemption, where we are concerned, has been precisely the Italian disguise worn by the German economy in our country.

We have already alluded to this. We will now give a few examples, begging the reader still to remember those instances, for we regard them as extremely luminous, which were drawn from the banking world of Italy.

The most ordinary instance is that of re-baptising a German industry with an Italian name.

To this may be added the prudential removal of some more than usually conspicuous German, the removal of company headquarters, noticeable contributions to patriotic subscriptions, etc. After some

months public opinion, distracted by the tumultuous vicissitudes of the military conflict, is losing sight of the singular schemes of economic militarism, no longer recognises Teutonic organisations in disguise, does not remember their origin, and does not suspect their object. The German trail is so far lost, at times, that the public will conscientiously applaud an Italy which, even during the crisis of the war, has sufficient energy and faith to initiate new undertakings, or to expurgate and extend the old ones.

This method, which recommends itself to the ingenuousness of the majority, has been extremely fruitful in Italy.

The Italian re-baptisms of foreign industries are innumerable.

The *Ozon Gesellschaft*, in Milan, was removed from the Viale Venezia to the Via Maria Pagano, where it became the *Società per l'Ozono*.

In Rome there is a *Società Italiana Benz* next door to Signor Antonio Salandra's residence.

Its capital is a modest sum: £1200!

What is this "Italian" company, which has continuous relations with the Ministry of War and the Aviation Brigade? This is soon told; it is a branch, very badly disguised (since its director is the German engineer Geny Matt), of the important German firm of manufacturers of motors and motor-cars, which supplies his Imperial Majesty Wilhelm II.

In October, 1915—the fifth month of Italy's war—we discovered in Florence the headquarters of the *Società italiana per costruzioni in cemento armato*, with capital of unknown origin, founded by Max Sander of Düsseldorf. Sander was not called up by the military authorities, although a Prussian ex-

officer, but continued his work on the Tuscan and Ligurian coast, constructing the reservoirs of the *Società Italo-Americana del Petrolio*, which in turn was founded almost entirely by Austrians.

The *Langen Wolff* was transformed into the *Società Insubria* (November, 1915).

At Naples one of the most important firms was the *Kellener e Lampe*, in the Via Depretis. It was the agency for many navigation companies, and for the *Deutsche Ost-Afrika Linie*, and it exported large quantities of hemp. Suddenly one of its underlings announced himself as the successor of the old firm and the principal of the new, and stated that he was working on his own account. In the meanwhile the *Kellener e Lampe* company opened new offices in the Piazza della Borsa. Evidently the two firms were branches of the same house, but the Italian name of the new branch (as a Roman newspaper asserted) was able in the meantime to obtain for the *Kellener e Lampe* branch, from the competent legal authority, a certificate attesting that the firm was Italian. In reality the actual heads of the company were Kellener, who afterwards fell on the German front, and Lampe, a pure-blooded German, sometime president of the committee of the German School in Naples. This being the case, when the firm of Kellener and Lampe, notwithstanding its Italian judicial certificate, applied to the French Consulate at Naples for the *viséé* necessary for the maintenance of its "Italian" trade with France, it was met with a flat refusal from the Consulate. How should an important French Consulate have denied an *Italian* business firm access to France while Italy and France were endeavouring to intensify and facilitate their commercial relations?

In Rome the *Società Orenstein e Keppel*, which had already endeavoured to absorb the Italian *Società Ferro-rotale*, removed from the Via delle Terme the big name-plate with the two German names, and replaced it by a smaller plate bearing the legend *Ferrovie portatili*. Over the entrance door is the protective coat of arms of the Norwegian Consulate; in the office is the sacred and inviolable person of the consul, Cavaliere Arturo Bülow, a Berlineser, and the local agent of Orenstein and Keppel, who as lately as the 4th of June, 1915, offered a tender for a contract relating to the Spezia dockyard.

A typical case, to which we promised to return, is that of the *A. E. G.*, exceedingly Teutonic in origin, and of the greatest celebrity, which has degenerated into a French offshoot of the Thomson Houston Co. On the 12th of October, 1915, the extraordinary meeting of the said company under the presidency of the vice-president, Commendatore Tomaso Bertarelli, heard the Council express itself as follows in the course of the annual report: "Our company, which has always followed a programme of purely national activity—and of this it has afforded eloquent proof by the establishment of an important factory in this country—intends now to express even by its name its unadulterated Italianity, in assuming the glorious name of *Galileo Ferraris*, which synthetises our commercial aims. Ferraris, in fact, with his wonderful discovery of the rotating magnetic field, gave birth to the principal part of our industry, and therefore the council proposes to you that we shall change the present style of the company into: *Società Elettrotecnica Galileo Ferraris per costruzioni ed impianti*."



There would be reason for applause, would there not? And indeed a member of the firm, Cavaliere Gianzana, with scrupulous compunction toward the family of Galileo Ferraris, "expressed a lively satisfaction at the selection of the new style of the company, recognised in the name of Galileo Ferraris a reason for faith and good augury, and begged the president to thank, in the name of all, the family of the illustrious and accomplished Italian for their courteous and flattering consent."

Was everybody pleased? Wait a moment. The meeting did not break up "without having first delivered affectionate speeches in respect of the president of the Company, absent for reasons of health." Very proper. And who may the president of the *Galileo Ferraris* Company be? A dear old friend; no other than that indispensable Commendatore Otto Joel. *Tableau!* So began—with burlesque—the liberation of the national industries from the dominion of Germany . . . retaining Otto Joel, the German proconsul in Italy, as the president of the *A. E. G.*, founded by Emil Rathenau, the *alter ego* of Wilhelm II, whose son, Walther Rathenau, is precisely the organiser of all that so-called service of international statistics, otherwise of financial and commercial espionage. And it is well known—even to those who have only read this book—what extremely close relations exist between the companies financed by the *Commerciale*, the *Commerciale* itself, and the *A. E. G.*

It was not long, indeed, before we learned the nature of the first manifestations of the *new national tendency* so candidly guaranteed by Commendatore Bertarelli. Bertarelli, as a matter of fact—as we

have shown by quotation—stated that the *national tendency of the past* would be continued with fresh ardour. So the farce began with him? As a matter of fact, the attorneys of all the head offices, whether central or provincial, were all Germans; there were Germans on the technical staff, and even some of the Italian engineers were German in thought and in speech. When the European War broke out some of the Germans of the *A. E. G.* were called to arms, and took their departure. The Italian director and engineer, Signor Varini, tried to ensure that some one German should remain—for example, Herr Schneider!—but in vain. Then, at least—writes this same Signor Varini—let them send a German gentleman to close the balance for 1914! But what is this? Is there not in all Italy an accountant who knows enough for this? Apparently not, or at least the most Italian of companies does not think so, and this distrust makes us see the *A. E. G.* in a heroic light, in that it sacrifices itself to exist and to seem Italian in an Italy without accountants. The accounts, then, were closed, but none of the indispensable Germans were actually obliged to cross the frontier. Always, just as they were leaving, some palliative was discovered, and one of them, Fritz Kleffer, who was in charge first of the Venetian and then of the Roman office, eluded the denunciation of the *Pubblica Sicurezza*, and remained in Rome, where he could not be found; another, Herr F. G. Ampt, who was already general attorney to the head office in Rome, installed himself at Lugano, and thence continued his delicate labours by means of special messengers between Lugano and Rome, assuming the Italian name of Francesco Bernardi; and another, the

engineer Pollak, general manager of the traction department, although he had left for Switzerland, must none the less have managed to occupy himself suitably in exile, as the Italian *A. E. G.* regularly sent him a monthly salary of £80 by means of the *Commerciale*.

Finally, in order to be the more promptly at the call of the Italian *Galileo Ferraris* Company (formerly the *A. E. G.*), Herr Schlesinger, an Austrian attorney who left Rome in August, 1914, continued to rent his apartment in the Via Po, at the Villino Cesana.

But this may be the whim of a lover of Rome, and there may be no connection between this caprice and the national programme of the *Galileo Ferraris* Company? Alas, no! the connection is there, and there is no caprice in the matter; for on the 3rd of May, 1915, his monthly instalment of rent was paid by a cash voucher of the *Galileo Ferraris* Company's. To proceed, let us note that in the business correspondence of the *Galileo Ferraris* Company, the mention of Berlin disappeared between May and June, 1915, to be replaced by the mysterious legend: *Central House*. Let us note also that this most Italian of firms favoured, about this time—it may be with the authorisation of the Government, which was so readily granted—the exportation to Germany of that copper which was every day becoming rarer and more precious, and the copper was supplied by the *Società Elettrotecnica Italiana*, whose director—think of it!—was Herr Bruno Morgenroth, an ex-employee of the *A. E. G.* of Berlin, and the exportation was effected through the firm of that innocent Mangili, who was then president (think of it again!) of the *Banca Commerciale*!

Is it or is it not legitimate at this point to ask ourselves whether the reincarnation of the *A. E. G.* as the *Società Galileo Ferraris* was not the counterpart of the national renovation of the *Commerciale* by means of Otto Joel and Mahgili? And then, again, it recently appeared that employees of the *A. E. G.* were renewing their attacks upon and their criticisms of that Italian system of electric railway traction (even making mistakes in reading the figures of the official reports of the State Railways relating to the consumption of electrical energy in the working of our lines) which is known as the *three-phase system*, and is a purely national system (because it is actually based on Ferraris' discovery of the rotating magnetic field) and a victorious competitor—when the Germans do not ostracise it by pressure on the private companies enfeoffed to them—of the German system of electric traction with a single-phase current.

But let us leave the *A. E. G.* and continue our abbreviated list of examples.

At Genoa is the headquarters of the *Unione Italiana Tramways Elettrici*, a limited company with a capital of £720,000.

Until recently the administrative council contained two Italians as against a majority of Germans—a majority remarkable enough as to numbers, but even more as to quality, if we reflect that Koenigsheim and Rathenau were members of it. In 1915 the situation was different: the Germans had taken flight, and the usual Swiss gentlemen from Zürich were in their place. Among them was prominent the well-known Julius Frey, councillor of the *Commerciale* and president of the *Schweizerische Kreditanstalt* (of whose German nature, acquired through the *Rheinische*

*Kredit Bank*, we have already spoken). And were the Italians any guarantee of resistance to the pressure and the predominance of their foreign colleagues? We find the name of Senator Gerolamo Rossi, of the Marchese Centurione, of Cavaliere Facconi, etc. We do not in the least doubt their Italian conscience, but we must none the less remember that Rossi is a member of the councils of the *Commerciale* and the *Società de Navigazione*, which the former controls and—includes; that the Marchese Centurione is a councillor and comptroller of the *Commerciale*, and of the *Società Galileo Ferraris* (late the *A. E. G.*), while Facconi is the director of the Genoese branch of the *Commerciale*.

Are these the *new men* which the *new economic policy* demanded?

It does not seem so to us. And our opinion is confirmed by this further peculiarity of the *Unione Italiana Tramways Elettrici*: that of the 13,335 shares brought into the General Meeting of 1915, 5500 shares represented the *Société de Crédit Suisse*, inscribed—says the *Idea Nazionale*—on the British black list, and 5025 represented the *Banque pour entreprises électriques* of Zürich, a direct emanation of the *Deutsche Bank*.

This means that in the end the dividends of the *Unione Italiana* found their way abroad, and eventually the company had only a parasitic existence within the limits of our economy. The examination of the balance-sheet of 1915, and of the men who presented it, shows that the war has not entirely Italianised the substantial formation and the German aims of the company in question.

A typical instance of industrial metamorphosis on

a political basis, which merges into an equally typical episode of our indolence in opposing it, is that of the *Ferrobeton* affair, to which we endeavoured in vain to draw the attention of the competent authorities.

In March, 1916, Signor Ciuffelli, the Minister, received the promoters of the Milan to Venice River Navigation Company, and discussed with certain eminent Venetian politicians the application and distribution of the contributions of the local corporations to the completion of the already commenced Brondolo-Po branch of the main enterprise (Act of February, 1915). The news could not be other than most welcome to all; indeed the reports spoke of the remarkable manner in which the corporations, the cities, and the Government agreed in order to obtain the prompt execution of a task which, from the economic as well as from the military point of view, will give Italy a most notable artery.

As for us, however, this satisfaction was combined with a reservation which the facts were to prove patriotic as well as just.

The Venezia-Milano system, in its Brondolo-Po branch, includes, for the admittance of merchant vessels or light warships, three great locks with concrete walls. The *Magistrato delle Acque* had a fundamental scheme of these works, on which basis the execution of the work was entrusted to the firm of Toschi, of Bologna. This was about the 9th of March, 1916. Suddenly, at the request—it appears—of the Minister of Public Works the *Magistrato delle Acque* required the *Ferrobeton* Company to prepare a new scheme for the work in question, and the company offered terms which were notably lower than those quoted by the Toschi firm;

indeed, it has been asserted that the reduction amounted to thirty per cent. A notable reduction, indeed, and practical men will tell you that the reduction was easily justified.

The *Ferrobeton*, a foreign company, could certainly obtain the enormous quantities of iron required for the framework of the structures, importing it from Switzerland, and paying for it much lower prices than those fixed by the Italian iron industry.

Why—it will be asked—could not the Bologna firm do the same? Because the iron in question was Swiss only by derivation—that is, in a manner of speaking. In reality it was a question of German iron, and it was natural to suppose that the German Government would not have permitted its importation into Italy—even through Switzerland—by the first comer. Now, it is precisely the case that the *Ferrobeton* Company was not “the first comer.” Here, in short, is the international history of the affair.

The *Ferrobeton Anonima Italiana*, with its headquarters in Rome, was founded in Genoa in 1908, under the presidency of Commendatore Ragioniere Davide Viale, and with a share capital entirely subscribed by *Weyss und Freytag A. G.* of Neustadt. Signor Otto Meyer was councillor delegate; he is also to-day director-general of *Weyss and Freytag*, while the Freytags, father and son, were members of the council of administration. (The latter was decorated in 1915 with the Iron Cross, although it does not appear that he had ever done any fighting.) In 1912 the headquarters of the company was removed to Rome, and the president was replaced. Commendatore Viale, indeed, resigned, as he was un-

willing to remain a mere figure-head, and one of the councillors, Cavaliere Avvocato Mario Cunietti, of Milan, resigned for the same reason. The Germans had no trouble in filling their places with two other more docile Italians. In the meantime the company, which had branch establishments in Naples, Messina, and Milan, replaced its own directors, Rudolf Stolcker and C. Roncketty (the first a native of the Rhenish Palatinate, the second an Austrian from Bolzano), by Karl Mersenhelder, (of Hanover) and Friedrich Derdesheimer (a Bohemian). During the two years 1912-13 the company received the resignations of three Italian engineers, who were managers of branch establishments, and who retired for reasons which were but little flattering to the company (among them was Signor Pitscheider, a thorough Italian despite his foreign name), and some ten more Italian engineers belonging to the technical staff made brief appearances and then departed, as they were placed at a disadvantage, the German-Swiss element being given the preference in tasks involving confidence. In 1913 the director Meisenhelder was replaced by the company's attorney, Oscar Hüber of St. Gallen, and in 1914, on the outbreak of the European war, Herr Derdesheimer made room for Herr Johann Gautschy, a native of Basle. In March, 1914, the company removed its Roman offices from the Via del Tritone to the Via Gaeta, and as though it had foreseen (in March, 1914) the European War, with its consequent anti-German economic coalitions, it took the opportunity of this removal to delete all German words from its letter-heads, advertisements, etc., so that even the title of the company was prudently deprived of the suffix "*Asstema Weyss e Freytag*." The com-



pany, which during the three years 1912-14 did not (as in 1908-11) do a remarkable amount of business (undertaking, however, a good deal of work of a military nature in the harbours of Brindisi, Messina, Taranto, and Spezia), had in 1915-16 to undertake important contracts for the Togni works at Brescia, which had been taken over by the military authorities, and in Venice, for the Civil Engineers. (In Venice, where the works manager was a German from Baden, one Gassman—a relative of the director Hüber—the company was about to commence an important contract for the municipality of Chioggia, which had to be postponed on account of the compulsory departure of Gassmann.<sup>1</sup>)

Then Italy entered the war; and up to the present time Herr Gautschy, provided with a passport, makes periodical visits to Switzerland. Does he thence enter Germany? This we do not know; and for that matter it would not be essential, seeing that the whole of Switzerland is to-day the regular meeting-place of Germans from all parts of the Germanic Empire. But whether in Switzerland or in Germany, it is certain that Gautschy must meet his employers and his associates, to whom all business arrangements are submitted for the necessary approval of the councillor delegate and the members of council Meyer and Freytag, and another citizen of Munich, himself the son-in-law of Conrad Freytag.

So even the construction of the Brondolo-Po commercial and military ship-canals passed into the control of these gentlemen of St. Gallen, Basle, and Munich? So, in the midst of our military and eco-

<sup>1</sup> Gassmann, I was told, was afterwards killed on the German front.

conomic struggle, the execution of a project of such importance could be adjudicated to foreign contractors—and to *what* foreign contractors!—simply because a lower price was quoted? But the ingenuous will object that the works in question were of a commercial character.

To begin with, the entire Brondolo-Po branch may be employed not only for the transit of the cheaper qualities of goods, but also for the passage of light warships. • But even apart from this, is it possible to separate the commercial from the military function in speaking of roads or canals? All communications in time of war may become an intrinsic part of the nation's defences, and it is only too evident that a great part of the military strength of the Germans resides in their network of communications.

For the rest, I do not wish to evade the question of price. The cost of an undertaking is certainly one of the essential elements of adjudication in the awarding of contracts, but up to what point? We have not space here to discuss whether the pile system of the *Ferrobeton* Company presents greater or less resistance than the well-known system of the Bolognese firm to the eventual erosion of the first stratification of the piles themselves in the presence of salt water. And, moreover, only with the help of technical data could we question the convenience of taking the element of cost as the sole basis of adjudication in the awarding of contracts. A similar discussion took place on the occasion of the inquiry into the navy, and it was proved that the selection of a contractor must be based upon a somewhat complex valuation, which includes all the various elements of cost, quality, time, etc.

On the other hand, the suspicious fact remains that the lower price tendered by the *Ferrobeton* Company might have a twofold concomitant, economic and military, both one and the other extremely injurious to Italy.

Economic, because it makes it possible in time of war to store abroad goods which will be paid for in ready money; military, because it permits of the control of an undertaking of indubitable strategical importance to an enemy. Now, what else could have been done? We must legitimately maintain the defence of the Treasury against the exorbitant claims of the contractors, but it is not difficult to find examples in which the State has protected itself and at the same time has safeguarded the interests of the undertakings which were being adjudged. Thus, when it was a question of providing certain steamers, required by the State Railways for the working of certain State steamship lines, it was agreed that the right of tender should be open both to Italian and to foreign ship-builders, and that the tenders—in the case of any given scheme—should be examined in the light of a criterion of differentiation deduced from the conditions of the home as compared with the foreign market. In this way a *national handicap* was established, or, in other words, the burden (in terms of a percentage rate) which rested upon national industry as compared with foreign industry in the matter of ship-building, and it was agreed that the prices quoted by our ship-builders—before comparison with those offered by foreign ship-builders—should be diminished by a reasonable percentage, which would represent, as a whole, the protection accorded to Italian industry. This system yielded

good results, and it must not be supposed that the determination of the required co-efficients was an easy task, taking into consideration all the complexities of the ship-building industry. In the case of the Brondolo-Po canals such a calculation could have been made almost to a farthing, given the nature of the work, and in that case it was not made.

Now, such an inquiry into the offers of the Italian firms and the *Ferrobeton* Company would have made it an easy matter to discover whether these offers involved excessive profit. In this case it would not have been difficult, with the accounts to hand, to enforce more reasonable figures upon the Italian firms; if, on the contrary, the profits of the Italian firms had appeared reasonable, one would have been forced to conclude that the *Ferrobeton* Company had special reasons for renouncing its legitimate profits, and its offer should have been refused without more ado. All this, we repeat, was not done, and at this critical moment of the nation's life, in the face of insistent demands for a national economic policy, a firm of German origin, known (we forgot to say) *always to have quoted prices conspicuously higher than its competitors*, was entrusted with a project whose military importance, and whose manner of employment, even military, would thus be subjected to the free and convenient investigation—*beyond the frontier*—of all those foreigners whose extremely keen interest in securing a knowledge of its military qualities does not require demonstration.

With this complicated episode—with which those who are competent or interested ought to concern themselves, in order to ensure that the blunder is not perpetuated in the continuation of the Milano-

Venezia system—we may compare an attempt which miscarried owing to the energy and circumspection of the supreme military authority.

The military occupation of territory in the Isonzo region has raised the question, to whom the exploitation of the hydro-electrical energies of the region should be assigned. Now, even in this territory, consecrated by the sacrifice of so much Italian youth, the German talons, concealed beneath the velvet glove of industrial enterprise, sought to clutch and penetrate. They sought, indeed, to restore the control of power transmission in the *terre irredente* to the *Officine idroelettriche dell' Isonzo*, which, financed by the *Kreditanstalt* of Vienna, the *Schuckert* company of Nuremberg, and the *Schweizerisch Gesellschaft für Elektrisch Industrie* of Basle, would merely have extended the German domination in that sphere in which our dependence is greatest, and the more serious in that it involves a hundred other branches of our industrial activity. The military authorities spoiled the game, and entrusted the region to the *Cellini* company. However, the attempt of the Germans to obtain a monopoly proves that the war has not diverted Germany from her old economic programme.<sup>1</sup>

Another case in which the supreme command was unable to intervene, and in which the Government

<sup>1</sup> Signor Preziosi's *Vita Italiana* commented pessimistically upon the expedient of the supreme command, asserting that the *Cellini* Company is controlled and financed by the *Adriatica*, whose president is Giuseppe Volpi, whose name leads us back into the definite sphere of German interests; but to us it seems that this was true in the beginning and that afterwards the position was reversed.

did not intervene either, is that of the *Miniere del Monte Amiata*. These are the quicksilver mines, of which much was said at the beginning of the war, when we endeavoured to catalogue the greatest possible number of German industries which were to be expurgated or redeemed. These mines give a marvellous yield. Italy ought to come next to Spain in the production of quicksilver, for Monte Amiata yields about 2000 tons per annum.

Italy ought to come next to Spain—but instead of Italy it is Germany that does so, for the good reason that two of the three groups of these mines are in German hands. When the war broke out between Italy and Austria the German directors departed. Then, of course, the Swiss—or a Swiss—appeared. This Helvetianism—so a person resident in Rome and interested in the Italian group of mines assured Signor Carli—is merely a disguise. This we knew. And it is a disguise which conceals no less a person than the Emperor. This also we knew. However, the fact remains that at a certain moment it would have been possible to redeem the majority of the shares from the Swiss holder. By order of the Emperor, or perhaps on his own initiative, the Swiss was willing to relinquish the shares for a few million lire. The Government, in response to pressure from several quarters, seemed to be interesting itself in the matter, and, says Signor Corradini, “sent one of its commissaries, and laid claim to all material and so forth.” But it went no further than this. Signor Corradini has not informed us what followed, nor even if anything followed. However, we are in a position to say what will be the result. When the war is over the Swiss will drop the mask, and the German will

appear again—whether the Kaiser, or Rathenau, or another. And the second place in the world's production of quicksilver will return to Germany. Are these the methods by which we are commencing the process of national redemption, and uniting our military effort? Not that there was any great effort to be made here. It would have been enough to stretch out our hands, to spend a little freely, and a fine and lawful prize would have been ours; one of our sources of wealth would have been restored to us. But I am wrong; I should have said that a great effort was necessary; it was necessary for the Government to interest itself in business matters.

In business matters? An honest Government? For shame! The shades of Benedetto Cairoli, Saracco, and Rubini are near us, to watch that the hands of our politicians remain always clean!

We promised to enlarge upon only a few instances, but we wish to cite one last example because it is typical of the mimetism of espionage (we are speaking still of commercial espionage, on which the other form of espionage may be grafted), and because we can accompany it by such a judicial commentary, that no sceptic can persist in smiling at or doubting our accusations.

In 1916 a judicial dispute occurred between the *Società Anonima Tramvie Orientali del Verbano* and the *Società Anonima italiana Ganz di elettricità*. The object of the proceedings is of no significance whatever. The case becomes highly significant, however, when the *Tramvie* asserts that the *Ganz* is Italian by name, but Austro-Hungarian in fact, and, therefore, cannot enter the Courts against the *Tramvie*. The Milanese Court—of whose judges it would

be well to know the names, as those of magistrates truly equal to the height of the occasion, and able to reason as Italians, as well as beyond the rigid limits of the code—the Milanese Court approached the question from the judicial point of view, as a case of simulation; and, the circumstances having been analysed, affirmed that it was not true that the *Società italiana Ganz & elettricità* actually had its headquarters in Italy, or that the object of the enterprise was to be found in Italy; and it further maintained that the *Società* was constituted in the shadow of the Italian law simply to afford the Ganz company of Budapesth better ways and means of carrying on its business in Italy, disguised by a partial change of name, and of marketing its products. This is an assertion precisely similar to that which we have made concerning similar firms which have already been mentioned. And here it is a judge who is speaking. Now, what were the circumstances which gave rise to this severe judgment?

Here they are, word for word—

“The special object of the trade carried on by the *Società italiana Ganz*, consisting of the sale of the products of the Budapesth Company, and the use of its patents; the number and the quality of its partners (nine being Austro-Hungarian and two Italian citizens); the number of the members of its council of administration (four Austro-Hungarian to one Italian); the distribution of the shares (of 300 shares 270 were held by the Austro-Hungarian and only 30 by the two Italian partners); the fact that the *Società italiana Ganz* spoke of the Budapesth firm as the ‘parent house,’ and the discovery, in its printed



invoices, of so many from *our Budapesth factory*; the impossibility that the plaintiff could otherwise, with so scanty a capital (£3600) 'have installed some of the most important hydro-electric power-stations in Italy, or could have had in hand the installation of the imposing Central Station of the municipal electrical system of Rome,' and all this 'without owing a penny,' as was boasted in Court. • The culminating facts and conclusions are these: that the director-general and two directors of the Budapesth Company were summoned to take part in the administrative council and the *Collegio sindacale* of the *Società italiana Ganz*; and that the *Società italiana Ganz* had held one session of its council of administration, and even two out of eight General Meetings, at Budapesth, or, more precisely, at the headquarters and in the very offices of the Budapesth Company."

With this formidable evidence the Milanese Court declared that it was confronted by a most perfect case of simulation, for there was nothing Italian about the *Società italiana Ganz* but the adjective; and that, far from being a free commercial corporation, autonomous and independent, living its own life, it was nothing but a *longa manus*, a dependency of the powerful Budapesth company. And as, for the profit of the latter, the pseudo-Italian Ganz Company had placed itself under the ægis of the Italian laws, the Court declared it legally debarred from further transactions, in virtue of Article 2 of the decree of the 24th of June, 1915.

And we are delighted with the plain reply of the Milanese Court. But what are we to say of the liberty which the Budapesth firm was able to enjoy

in Italy for a whole year during the war? The Budapesth firm, observe; not a Berlin firm; so that there was no possibility of invoking the equivocal excuse of *non nemica Germania*. Here we are dealing with firms actually belonging to the enemy State. If the *Ganz-Tramvie* affair had not come to light, how long would the exceptional activity of the *Società Ganz* have continued? And how much gold has the Ganz Company, with its whole year's transactions, absorbed from Italy? How much money, that is, has gone from Italy to Austria? And what have they been able to do in the way of actual espionage, these councillors of the pseudo-Italian *Società Ganz*, who—as the judges declared—went to Budapesth, for the purpose of holding a session of the Council and two General Meetings?!!! Who can wish to deny that this scandal is atrocious, and that it demonstrates our incapacity to execute the most important decrees issued in war-time for the economic defence of the State?

These examples which we have given are not all those at our disposal, but they are sufficient to corroborate our argument, that the supposed expurgation of Italian industry, at least during the war, has not been effected, and is to a great extent nothing more than an ingenuus move at chess. We thought we were able to call checkmate to the king; we have simply forced him to play his rook, and he is strong and secure within his bulwarks of castles, bishops, and pawns.

It has been nibbled at more than a little, this bulwark—we cannot deny it—but the positions are still formidable.

Neither can we regard the liberation from German

goods more seriously. Here was simply one more trick and one less illusion, to those who have studied the undeniable renewal of German trade in our midst. Many goods which used to arrive with German labels now arrive with so-called French or British labels. Certain stylographic pens of indirect German origin display as trade-marks figures of Italian soldiers or tri-coloured flags; the sweets sold by our pastry-cooks are still German.

Other products reach us from Switzerland, where they are manufactured, or merely made up with German material, most frequently in factories owned by Germans. Thus in May, 1916, at Milan, upon information given by the local Committee of Civil Defence, the police confiscated 500,000 incandescent electric lamps which were believed to be of Austrian make. We say believed, because the mark was not on the lamps, and they apparently came from Switzerland, but their Austrian origin was proved by expert knowledge of their special technical characteristics. Here, as in the case of the *Società Ganz*, it was a matter of contraband which was plainly Austrian, that is, of enemy origin; and also, as in the case of the *Società Ganz*, the industry fostered was the electrical, which, as we have repeated to satiety, represents one of the principal tentacles of the German octopus in Italy. Worse still—and this has been known to the public—goods are arriving which are introduced into Switzerland upon payment of the slight duties to which they are subject, and are then passed into Italy as though they were actually Swiss. What more? In a large picture-postcard dealer's in the centre of Milan I myself have seen (and have bought examples for purposes of documentation) a very com-

plete series of picture-postcards of the *European War*, of German make and with German lettering! Here were Von Haeseler, Hindenberg, and Von Tirpitz, here were allegorical groups of the sovereigns of the peoples hostile to the Entente, and scenes of warfare in Belgium. Yes, gentle readers, scenes of warfare in Belgium, depicted by German artists, sent into Italy in unbroken packets, and sold—or at least offered—to the Italian public; while at a distance of a few paces Cesare Battisti and Innocenzo Cappa and Giuseppe Bevione were haranguing impassioned gatherings of the Milanese people and calling for vengeance upon the murderers! And worse still, school-children were allowed to use exercise-books whose covers exalted the heroism of the German Army, the virtues of the Austrian soldier, and the kindness of the Bulgarian militia to the starving Serbs!!! The Minister of Public Instruction opened an inquiry, and we should like to picture it to ourselves as a rigorous inquiry, inflicting severe punishment; but it was inconceivable, to begin with, that it should or could have been necessary to hold such an inquiry.

Now, how did such a thing come about?

The Germans remaining in Italy manœuvred skilfully and obscurely; this we have already seen. But this is not enough to justify the tolerance and the complicity of the industrial or popular elements of the Italian people. They should have reacted against the Germans. Even our soldiers, even our sentinels, are approached by objectionable persons who propose that they should desert, or commit peculation, or that they should wink at some economic or military infraction of the regulations of the supreme command.

But—save for exceptions, so rare as to be negligible—our soldiers and sentinels resist and repudiate and denounce their tempters. Why do not our manufacturers and merchants and consumers do the same? It is to be supposed that they are lacking in a perfect consciousness of their national duty. They always maintain that it is not really their business to alter the destinies of the war. So they have made hay of the prohibitions relating to exportation. Ernesto Vassallo, for example, writing from Athens in May, 1916, mentioned a significant episode of this kind. "Some time ago a wealthy and influential gentleman, not an Italian, of my acquaintance, exhorted me to write to Italy, or to speak to our authorities, in order to obtain a permit for the exportation from Italy of a certain medicinal product; and after a great many phrases he finally informed me that if I succeeded in obtaining this permit for him I should earn £200. Of course I did not write to Italy, nor did I speak to the Minister; but scenting one of many fraudulent speculations, I warned some one whose duty it was to keep a vigilant watch for such. I have now learned that a hundred kilogrammes of this drug have recently arrived here, and that the interested person succeeded in his venture, thanks to the assistance of an Italian senator." Signor Vassallo says: "*I admit the good faith of this senator, but—*" Well, I do not by any means admit it. A senator, if he is not an idiot, knows that we are at war, and that we are suffering from a serious and continuous dearth of drugs, medical supplies, etc. He knows that it is the duty of all to do their best to keep all that we need within our frontiers, and he not only does not bring the support of his authority to the

performance of this duty, but even employs it in a contrary direction! Such gentry, even if they are not conscious of the national duty, ought at least to be sensible of the national interest! They would then understand that to supply goods to the enemy, or to receive them from him, and to exchange them for ready money, constitutes an anti-patriotic action just as much as does the incapacity of a sentinel or the surrender of a fortress. They would understand, also, that the State by itself can do little if the citizens elude the provisions of its plan of campaign, which is not merely military; they would understand, lastly, that to maintain the commercial dependence of Italy upon the Central Empires enables the latter to base their hopes upon a future renewal, and therefore, indirectly, confirms and prolongs their moral resistance to the present losses which the war has caused them in the economic field; it weakens and benumbs the new initiative that might be ours, and facilitates the extension of that common and insufficient way of thinking, which finds it far more convenient to obtain what we require from abroad—ready-made—than to go to the trouble of making it ourselves, at the expense of capital and energy. If the Italian people were spontaneously to bar all roads to the enemy, as the State is endeavouring to do—although in a restricted sense—with its laws and decrees, I am certain that it would not be long before we should see certain economic projects realised in Italy which negligence or ill-will would proclaim impossible.

The theory that certain industries are *natural* to different countries is well known, but unfounded in the absolute, if not in the relative, sense. However, let us take an example from Germany. Until 1880,

or thereabouts, the manufacture of chemical products and dyes was in the hands of England, seconded by France. "Here is an industry," said the Free Traders, "which is *natural* to these two countries."<sup>1</sup> Therefore no other country should have meddled with it. But Germany, who felt the *necessity*, in view of her programme of economic world-primacy, of shaking this Anglo-French supremacy, did not accommodate herself to this theory of *natural industries*, and since she possessed that conquering energy which has become, in the main, the formula of her triumph—although eventually exaggerated and wrongly employed—she concentrated her forces upon the problem of chemical products and dyes, with the result that Liebermann achieved the synthetic preparation of alizarin (which before that was obtained only from the root of the madder-plant), and this was followed by the synthesis of indigo, and the discovery, in the region of dye-stuffs, of nitrogenous compounds and of the carbonates as reagents. Every day saw a new source of wealth for Germany; every day witnessed the increasing discomfiture of the "natural" Anglo-French industries. The necessity, to Germany, of the pacific economic war was the flint from which the German will struck fire to light the furnace of her world-wide activity. And it ought to be the same with us.

I am speaking here only of what might be during the war, but it is easy to infer that the ephemeral victories of war-time should give way to permanent victories on the resumption of the works of peace. Much depends—I repeat—on the economic and political conscience of our nation: whether it is small or great.

<sup>1</sup> Carli, *L'altra guerra* (Treves, 1916), p. 78.

And this conscience—if I may be pardoned for the discursiveness of my remarks—would teach the Italian workers this other precious truth: when the tenacity and facility of the Italians have liberated one branch of industry from foreign control, the fruit, the result of their effort will not be confined to that branch. It will have powers of self-propagation, which will operate in radiating waves, as when a stone is thrown into the water. When we succeed in producing our own electrical machinery, not only shall we no longer send the equivalent value in money to foreign countries (and this sum is enormous, and is further increased by the premium on gold)—that is, we shall keep more wealth in Italy—but we shall be able to give life to a whole industry of producing and distributing electrical energy, which, already a source of wealth in itself, would moreover be a most important means of producing wealth for Italy, as it would release us, at least half-way, from our dependence upon coal, in payment for which (we are now realising that part of the payment is not for coal, but for freight) Italy sends abroad every year, and almost entirely to England, about £15,200,000.

With our own electrical plant we should at one blow strike off a double yoke; that of our servitude to Germany, and that of our dependence upon England. The first is the more perilous, because political; but the second—being economic—is still extremely serious. And we shall achieve this and other similar results if we will; if only we summon up within us that all-conquering energy which finds in every obstacle its proper nourishment.



## TOWARD REDEMPTION?

I. So far we have observed the extension and the methods of the German mortgage upon our economy.

II. We have seen, incidentally, how often the German Great General Economic Staff has lent its weapons to the Great General Military Staff; or has at least held them at its disposal, so that, as in the case of the Schimmelpfeng Agency, the commercial invasion and military espionage made equal progress.

III. We have seen, finally, how the German economic incrustation on the fair body of Italy has resisted the vicissitudes of war, and how our campaign of expurgation and national reconstruction has often been led astray by tricks and disguises and subterfuges which the fertile and treacherous imagination of the enemy has renewed day by day, under the protection, alas! of Governmental incapacity (we had better call it Governmental absenteeism) and the psychological indigence of some, of too many, of the magnates of our productive economy. We have depicted—in a word—our profound lack of that all-conquering energy which has been a preponderant element of the Germanic supremacy.

IV. Now—to complete our task—we have to discover the elements of which such all-conquering energy can avail itself in an Italy which is beginning to understand the value of the *national economy* as a factor of the problem of true independence, which

it formerly thought completed by the factor of *national territory*.

We repeat, however, what we have already said in the opening chapter of this volume: to draw a complete picture of Italy's wealth, to establish, specifically and categorically, its natural and conceivable possibilities, is beyond the capacity of this volume, and beyond the capacity of its author—who is, for the rest, consoled by his knowledge of recent volumes which trace and discuss this picture with manifest ingenuity and prolixity.<sup>1</sup> We will therefore indicate, as our principal object, the Italian defects of energy, in so far as they correspond with a real possibility of remedying them.

We will deal in the meanwhile with the objections, half ingenuous and half spiteful, which have often been and are often advanced in respect of our arguments.

Some say: You are waging war, and fiercely, upon

<sup>1</sup> With real delight, as an Italian, I call the reader's attention to one of these volumes, *L'altra guerra*, by Filippo Carli. It is an organic piece of work, powerful, yet extremely vivacious. It does not drag, it is not heavy; it contains no ingenious flights of imagination; it treats of the Italian economy with wisdom, logic and faith; that is, with the three elements which ought to be proper to every constructor. And the constructors of our to-morrow's economy ought to turn to Signor Carli's volume if they wish to assay their will to act by the lessons of the past. The present volume is contemporaneous with Signor Carli's volume in the matter of conception (it had, originally, even the same title); but it is later in the matter of publication; and of this I am glad, and have taken advantage of it freely as to several points, being assured that Signor Carli himself will have no objection to this—he who is so active in fighting the good fight, and will only be glad to have at his side companions in the struggle who shoulder his own weapons.

German capital. Do you wish, then, to exclude foreign capital from Italian life? Certainly not. We believe it is inevitable, and—though perhaps not in the absolute sense—we believe it is a good thing that foreign capital should come into Italy and perform its functions in our midst, in the province of banking as in the province of industry, all the more because while at the present time an industrial function is peculiar to certain banking establishments, it would be the greatest mistake to require such a function from certain other establishments—such as our *Banca d'Italia*—which have, and must maintain, other functions of a moderating or controlling nature, which are equally necessary.

Others argue: Ah, then you wish to make war only upon German capital? So that substantially you aspire to substitute a French or British or American servitude for the German servitude?

This, again, is absolutely false. If we could see Italy as complete in the natural sphere as she is in the mechanical (this goes without saying), so that she could suffice to herself in the matter of men, though in any case the problem of shaping these men would arise—then assuredly we should be glad (and perhaps we should again be mistaken, owing to the laws of competition) to pronounce the ostracism of all that was alien.

But this is not and cannot be possible, both because it is materially impossible for Italy to be self-sufficing, and because such a conception is economically unnatural. And what do we mean by this?—Granted the necessity of opening our frontiers to foreign capital, granted the utility of so doing, we are bound, for the sake of national interests, which the recent

lesson—which is still continuing—corroborates, to select the foreign capital to be offered our hospitality, to scrutinise its intentions, to watch over its behaviour, to control its sources as well as its outlet, so that this river of gold descending upon Italy from the Alps shall not present the unnatural phenomenon of afterwards re-ascending the Alps and returning to its source, drawing off with it all the gold, or the equivalents of gold, which it may have been able to encounter on the surface, or to bring to the surface from the soil of Italy.

And what is the capital which will guarantee us against this unnatural and ruinous phenomenon? Certainly not the capital of Germany, which, whether in our banks or our industries, does not admit of cohabitation with Italian wealth, but attracts it and multiplies it and transforms it, and then absorbs it, and conveys it, in company with itself, and under all sorts of forms, to the German Fatherland.

Well, by the force of circumstances, and by daily lessons, drawn not only from our own history, but also from that of other peoples, we have been led to prefer French or British or Belgian capital, which lives and lets live, has no political schemes in view, and has no connection with espionage.

To depend as little as possible on others, in short, but least of all on Germany, for to be dependent on her is equivalent to surrendering to her all our rights; our right to enrich ourselves, our right to progress, our right to live; and to become one of her satellites.

We really do not know how the most captious and contradictory person can question this plain and simple argument.

Other objections are made by those who are born

to and live for an ideal of renunciation, self-flagellation, and pathological humility, and who apply such ideals to Italy: "You wish," they say, "to free Italy from all dependence upon the foreigner? You are right . . . theoretically! But how do you intend to do it? Do you perhaps pretend to *invent* that which Italy lacks? And do you not perceive how much she lacks? Where are all the raw materials which she would need? where is the technical capacity to transform them when she has them? where are the men capable of constructing and creating rather than of chattering?"

These gentry, whose mentality is that of a Mussulman, would not be worthy of discussion, were it not that their objections are unfortunately the more dangerous because of their plausible tone, and because they coincide with all that has been repeated year in and year out by those who find in the German mortgage the satisfaction of their personal interest and their Ferrianic disdain of Italy: "It is useless to struggle! We have not the gifts of patience, of power, of seriousness which the men of Germany possess. Learn—first of all—from them to work and to study, and then come and tell us to suffice to ourselves!"

Now nothing could be more grotesque than this reasoning. If the Germans had thought thus—precisely the Germans, whom they admire with the mind of a courtier—the chemical and aniline dye industries would still be wholly in French and English hands, and Germany, judging them to be irrevocably non-natural to herself, would not even have attempted to dispossess—as she has done—the foreign overlords of such industries.

A nation has always in itself—we make bold to say—greater riches than those of which it is conscious and which it utilises at any given moment; it has always in itself greater creative energies than those which at any moment it claims or is developing.

We do not say that Italy has all the raw materials which she needs, but we do assert that she has much more than she utilises. We do not say that she can—*from one moment to another*—invent a whole national economy, which will save her from the foreigner; but we do say that much of her dependence comes from dispersion of the wealth which she effectively possesses. And we will add that, far from wishing to construct *ex novo* a whole economic order, she could achieve a very great deal if she would devote her efforts at redemption to certain particular economic problems, for the solution of one of these would cause many of the enemy's positions, dependent thereon, to totter and collapse.

As for the superiority of the German *man*, it is utterly fictitious. We have already seen, in the banking world—and Einaudi, to say nothing of others, has consoled us in this respect—that the German bankers have taught ours nothing, and that ours would have done better had they not known certain things which they learned, and had they prevented others from learning them. In the commercial and industrial spheres we have faithfully admitted that our merchants and manufacturers are ignorant of and sometimes undervalue systems which, contained within certain limits, would prove to be of the utmost value; but between admitting the necessity of guiding our merchants and manufacturers into other paths than those they are at present following, and denying the

possibility of any such step, there is, as any one may see, an enormous difference.

Hence we assert that all, or nearly all those factors which have for so many years wasted or impeded our economic procedure are susceptible of remedy.

It is a matter of setting in motion a programme partly governmental and partly national, which presents no impossibilities, and may be thus summarised: To exploit our riches, and to valorise them at home and abroad.

To valorise our citizens, to substitute them at home for the citizens of Germany, and to send them forth, when possible, into the world, to maintain the external projection of our reviving economy.

Hence the industrial organisation of the raw materials *which we possess*, the national organisation of the men *whom we possess*, and at the same time the mechanical organisation of all that which we have not but *can acquire* with tenacity and method.

We have already stated that we are under no illusion as to our possessing all that we need (and where is the nation which can write zero under the head of "Imports"?), but that we are firmly convinced that we are producing all that is by us producible. Nothing can better serve to prove this than the never sufficiently cited chemical industry, one of the strongest links of that economic chain which Germany has thrown about our necks. Industry proper is interested in it, and agriculture is interested in it.

We import every year more than £4,000,000 worth of chemical products. Of this £4,000,000 more than £1,600,000 is referable to agriculture, which, to fertilise its own fields and to defend the

vineyards against disease, purchased (in 1914) £1,200,000 worth of fertilising materials (chlorides, potassium sulphate, sodium nitrate, ammonium sulphate, Thomas's slag, etc.) and £520,000 worth of copper sulphate.<sup>2</sup>

Industry sends abroad for more than £2,800,000 worth of chemical products; for colours derived from coal-tar and synthetic dye-stuffs (£800,000); for caustic alkalis and carbonates (£400,000); for the alkaloid salts of quinine, synthetic medicinal products, etc. (£400,000); for organic acids—acetic acid, fatty acids, tannic acid (£320,000 to £360,000); for an innumerable series of chemical products applied to all sorts of purposes—salts of tin, bismuth and mercury, salts of gold and platinum, prussiates, silicates, iodine, bromine, etc. (£800,000).

To the Italian industries are assigned groups of chemico-agrarian products, electro-chemical products, inorganic acids, and other inorganic products.<sup>1</sup>

Our dependence, then, is enormous, not only in itself, but also, and even more especially, by reason of such factors as the laws of rebound and of ramification, which we hope have been made intelligible by the examples already given. We are lacking, in a word, in the production of *fine chemical products*. No matter which of the great theorists of economics you ask for an explanation of this fact, you will obtain, after the

<sup>1</sup> In the Italian chemical industry properly so called a capital is invested which may be approximately estimated at £6,800,000, of which £2,600,000 is invested in the manufacture of chemical manures, £1,600,000 in electro-chemical industries, £2,400,000 in chemical industries in general and in pharmaceutical industries. (S. Morselli, *Debolezze ed energie latenti delle industrie chimiche italiane*. "L'Industria," Milan, Vol. XXIX, No. 16 et seq.)



usual refrain concerning the superiority of German chemists, etc., the masterly reply: *We have no coal. Without coal, no chemical industry.*

Now, although it is true that we send abroad for considerable quantities of coal, because we do not possess coal-fields like those of England, Germany, and France, it is equally true that this deficiency has become a convenient and unfounded axiom for those who deny the possibility of naturalising the chemical industry in Italy. In reality it has been proved that the scarcity of coal is not an insurmountable obstacle. As Signor Morselli remarks (*op. cit.* in note), we lack coal, but in normal times the difference in the price of Cardiff coal in the English and in the Italian ports is about 7s. to 8s. a ton. This is not a prohibitive difference for a factory established on the coast, and this difference, independently of protective duties, is in part neutralised by the freight of the product itself if imported.<sup>1</sup> And those who maintain that we cannot manufacture chemicals because of our lack of coal are begged to explain how it is that the chemical industry flourishes in Switzerland, where there is no greater wealth of coal than in Italy.

Our deficiency in minerals is also an authentic fact (*Italy, said the mineralogist Bombicci, is a perfect mineralogical museum in the variety and also the exiguity of the species represented*), but we increase this deficiency greatly by allowing the greater portion

<sup>1</sup> As a matter of fact, the chemical process in which the greatest quantity of coal is required is the concentration of caustic soda from 38 % *Bé* to 97-98 % of  $\text{NaOH}$ , which requires a pound of coal for every pound of the concentrated product. This costs less than the freight, in normal times, of a quintal of caustic soda of 97-98 % between Liverpool and Milan.—(*Morselli*.)

of our crude ores to go abroad, whence they return to us in the manufactured state, so that our much-discussed dependence in the matter of chemical products has its roots in our failure to exploit our raw materials. Even the clippings of tin-plate are exported, to return to us (as far as the percentage of tin contained in them is concerned) in the form of stannic perchloride.<sup>1</sup> And another factor which exaggerates our chemical insufficiency is to be looked for at home, in the insupportable State control of ethyl-alcohol "denatured" for industrial purposes. And again, there are the defects, of which we shall say more later, of our system of technical instruction, and of the customs *régime*. What is left of the "unnaturalness" of the Italian chemical industries? Little enough; all that remains may be imputed to ourselves; and if to-day, in time of war, we feel the repercussion of the lack of imported chemical products, with all its effects of higher prices and the stoppage of industrial and agricultural efforts, we must recognise that in the past neither the Government, nor public companies, nor private persons made any serious effort to avert our present misfortunes.<sup>2</sup>

<sup>1</sup> In 1914 we imported 2548 cwt., representing a value of £98,921.

<sup>2</sup> Thomas's slag alone has fallen to 20% of the normal imports; and the imports of potassium salts have fallen by 50%. What will the agriculturalists do? And in the meanwhile the volatile products of the distillation of coal-tar have practically ceased to reach us from abroad; only one great explosives factory, with the greatest difficulty, has been able to buy up large quantities of crude benzol, in order to obtain from it the necessary toluol. The chemico-pharmaceutical industries are suffering from the dearth of numerous products, normally imported, such as some of the alkaloids and the various salts of quinine, bromine, iodine, bismuth, palm-nut

We used, for example, to import some 4700 tons of ammonium sulphate, and about 400 tons of other ammoniacal salts, but this figure could be greatly reduced were a greater activity required of the manufacturers of calcium carbide and calcium cyanamide, the two compounds which represent the best future sources of ammoniacal azote.<sup>1</sup>

Where there has been a *serious* determination to enfranchise Italy from foreign products by exploiting our own natural possibilities, this determination has succeeded, and neither our lack of coal nor other deficiencies have impeded it. Thus, while we used formerly to import 3600 tons of sodium carbonate, the Solway firm, with its great works at Castiglione-cello, is now liberating us from this servitude.

Neither is our incapacity confined to the instances already related; for we sometimes allowed ourselves to be defeated by foreign competition because we could not give that character of fixity to what we produced which guarantees regular and reliable orders from abroad. Our wines afford us a good example of this kind. At one time the French Mediterranean colonies used to buy a certain amount of our wine, attracted by sample consignments of wine which had arrived under excellent conditions of quality and transportation. But they afterwards tired of our vintages, as succeeding consignments contained wines

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kernels, synthetic products, lanoline, formaldehyde, carbolic acid, etc., etc.

<sup>1</sup> There is much to be hoped from the extraction of ammonium sulphate from peat, as practised in the works of Codigoro and Orentano (Léon Lefèvre in the *Revue Générale des Matières Colorantes*, Vol. XVIII, n. 214).

of a different quality and in an inferior state of preservation.<sup>1</sup>

Now, this was owing to the lack of technical training in our wine-makers, who, as they adopt patriarchal methods, are unable to offer a constant type or quality. If all our producers could offer constant types, such as our Chianti or Vermouth, our exports would no longer shoot up and down; they would become constant, as they are in the case of the two liquors mentioned, which are able with impunity to encounter all competitors.

On the other hand, when the types are not constant our wine industry is reduced to selling wines in the cask to foreign countries, which use them for mixing with other qualities, or prepare them and transform them into such wines as we afterwards purchase at a high price. Thus it comes about that while by the aid of technical instruction (of which we shall speak later) we might increase our exports of wines to a figure which we venture to call magnificent, we are reduced to producing an average of 440,000,000 gallons per annum of wines which have definitely the character of raw materials of negligible value.

And since we have alluded to the preservation of our products during export we will also mention, in passing, another commercial deficiency which absolutely must be made good.

- The biscuits of Novara—to take an example

<sup>1</sup> I remember that my dear and lamented friend Sighele used to speak to me at length on this subject. He was largely concerned in the exportation of Italian goods to Tunis; so much so that if death had not taken him he would have been—as he had it in his mind to become, and as the Government had promised—an excellent Italian Consul-General for Tunis.

familiar to the writer—used to be exported to America in considerable quantities, and achieved a really triumphant success, owing to their agreeable and hygienic qualities, which are well known throughout almost the whole of Italy. Little by little the exports decreased, and the only reason for this was the fact that, owing to the ignorance of the producers, the goods arrived in America packed in such a rudimentary fashion that the biscuits, as they were not carefully wrapped up two by two, nor protected by packing-cases with metallic linings, arrived in a crumbling condition, and were sometimes spoiled by salt water or rain.

And, as a matter of fact, all our manufacturers and merchants are ignorant of the art of packing goods, which is one of the first conditions of a regular export trade. They must be persuaded that their foreign customers do not care to trust to chance; they require a product of a given quality, and it must reach them in a given condition; it must be always the same, and always *the best*. A real commercial education is needed here, even if it calls for schools of packing; and it is obvious that it would well repay the trouble, for it is humiliating, ridiculous and ruinous to discover that the form defeats the excellences of the substance, and that real wealth should have to be renounced simply on account of indolence, helplessness and provincial traditionalism. Let our observations be verified in all the branches of commerce, and then add up the amounts of the various deficits of wealth not valorised simply through these foolish causes: it will be found that we are wasting veritable fortunes.

But having already surveyed the many things

which we can produce for ourselves and for the foreigner, but which we allow the foreigner to take away from us or impose upon us, there is one thing more which we must say, and this is much more serious: that not only do we fail to maintain the supremacy when it is easily to be obtained, but we allow products to be imposed upon us which are not only not superior to ours, and unequal to ours in value and efficacy, but are sometimes inferior to ours, even in ways which are dangerous to the very lives of those who employ them.

A typical example is to be found in the pharmaceutical industry. With us the market is flooded with German products. The most sceptical in the matter knows by heart the prophetic names of Merck and Bayer, and there is not an invalid who is not ready to swear that he *must* have the products of these firms, because no other firm gives, as they do, a guarantee of the purity of the ingredients employed and of the scientific manner of their preparation.

Especially do people swear by the German anti-pyretics. Now, more than one different physician assured me *before the war* that we ought to break off relations with Germany if only to save ourselves from her pharmaceutical products, of which a very great number have contributed slowly to poison all that enormous class of restless and insatiable invalids who fall into fresh ecstasies every few days before some new drug with an exotic appellation.

And precisely because of the mystery which, for the public, surrounds the preparation and use of medicines, we are indebted to Germany for the accomplishment of the complicated commercial and scientific fraud of the pharmaceutical industry. While the

aforesaid invalids are sighing, in Italy, for new drugs, which shall alleviate their real or imaginary suffering (and the one is as painful as the other), the spectacled and taciturn scientists of Germany are planning with the manufacturers, Merck or Bayer or others, the daily bluff of new preparations, to be presently launched with a stack of clinical results and scientific memoirs intended to assist their exploitation. And of this scientific and commercial game of bluff Professor L. M. Bossi writes—

“When one of these so-called new preparations had been thoroughly distributed, and when it had been rendered triumphantly saleable, a second preparation appeared, then a third, and so forth; their character and their efficacy being almost the same, but their names different. And from the competent apostles of *Kultur* we obtained a catalogue of their qualities—*qualities of an established diversity*. The same thing happened in the case of the antipyretics—from antipyrin to phenacetin, from antifebrin to aspirin, etc.; remedies of which, if their defects and advantages were to be well weighed, calmly and conscientiously, we should have to conclude with what I carved years ago, in big letters, on the largest wall of the theatre of my university clinic: *Primum non nocere*.”

To these moderate words Professor Bossi added remarks even more explicit, which expressly refer to the fetishism of our pharmaceutically Germanophile invalids. How many nowadays take quinine as an antipyretic? Very few; the German drugs have supplanted it. Do they pass the criterion of

*primum non nocere*? By no means; and the dethronement of quinine, provoked for industrial reasons by Germany, has resulted in enormous damage to health. Bossi, indeed, declares—

“Antipyrin, phenacetin, etc., by reason of their action, which is as rapid as it is disastrous, have induced such abuses that to think over the matter nowadays is enough to terrify one’s conscience as a physician. In the second place, such remedies are as rapid as they are injurious in their action upon the heart and the nervous system, while quinine, in ordinary doses (such as the quinine pastilles provided by the State which are sold even by the tobacconists), is innocuous, and is also a good tonic to the system. Alas! if an inventory could be made of all the sufferers from typhus, pneumonia, influenza and rheumatic fever who have died rather from the violent reaction of such remedies than from the maladies themselves!”

It may be objected that the amendment of the ways of the Italian physician—and we do not even know how far it has gone—is a little too subsequent to the anti-German campaign, and that if it is lawful to excuse the public for having accepted the impositions of the Germans, whose injurious “bluff” they were unable to comprehend, it is not easy to show equal indulgence to the Italian physician, whose eyes, it seems, were opened only by the war, in a matter with which the war has not very much to do. The repentance is welcome, even if it comes late, and the public realises, even in this matter—on the word of an illustrious and pugnacious physician—that the



German servitude may be shaken off not only without injury, but even with advantage to health, by a return to that excellently hygienic and technically national product—a product which can be re-naturalised—namely, quinine. We say it can be re-naturalised; and the reader has already seen why.<sup>1</sup> ..

Now let us return to our assertion concerning the defective utilisation of raw materials.

It is notorious that we are far from deficient in many raw materials which would find an excellent industrial market; we possess them even in abundance, yet we regularly send them abroad, whence they return to us in a semi-manufactured condition, adapted for industrial use, or even utilised in the manufacture of products of which we ourselves have allowed the creative basis to escape us.

This waste—there is no other word—of our wealth is due to two causes, one of which is the lack of suitable industrial establishments, while the other is the exorbitant taxation which the State would impose upon them. Now what happens?

Not only are we *presenting* such raw materials to foreign industry—that is, we are adding to its strength—but, into the bargain, we are afterwards forced to pay high prices in order to obtain those products of which our raw materials were the foundation or the necessary ingredients, and these high prices are increased by heavy import duties.

Let us consider an example.

Tartrates, citrates, and essence of lemons are exported to England and to Germany.

In southern Italy German agents collect the tartar from the wine-casks and send it to Germany, whence

<sup>1</sup> In the chapter, *Open War*.

it returns to us in the new and expensive form of tartaric acid, while we, who used to make it in Mezzogiorno and Lombardy, ought to be the exclusive natural producers of tartaric acid, which—among its other uses—is so important in the wine-making industry, and in the manufacture of aniline black and glycono-phosphates.

In Sicily the juice of lemons is expressed, mixed with lime, and sent abroad; it comes back to us as citric acid.

The whole, or nearly the whole, orris crop is exported, and returns to us in the form of perfumes manufactured abroad.

Such transformations, and many more, could not take place, were it not for the spirit of routine which in certain parts of Italy, especially in the south, makes even those very persons who are most interested hostile to the most lucrative innovations; the lack of personal technique, the fiscal control of alcohol, sugar and salt, the railway tariffs imposed on certain classes of freight, and the foreign monopolisation of patents.

For reasons already explained we cannot here deal separately with all these questions, but we may allude to some.

I. *The Tax on Alcohol.*—If we wish to develop certain industries which are now almost entirely in foreign hands we must exempt alcohol employed for industrial purposes from taxation. Let us accept all possible guarantees and restrictions; but this reform must be substantially accomplished.

The distillation and re-distillation (transformation) of alcohol must enjoy the same relief.

We cannot here amplify any of these suggestions by examples to the extent that would be possible in a work dealing specifically with these various arguments; the reasons for this are obvious. Here we must confine ourselves to one example for each suggestion. Let us take, in this field, the example of the *artificial perfume industry*, which comprises a numerous series of perfumes. Their employment is becoming daily more extensive, as perfumed toilet waters, scented soaps, rice-powder, cosmetics, and dentrifices are no longer articles of luxury, but are in common use, and the trade in these articles, especially those of the cheaper kinds, has become important and profitable.<sup>1</sup>

Now, we were importing 71,499 kilogrammes of natural essences and essential oils (not specified), which represent a value of £32,000, although one Turin firm had enfranchised us in the matter of essence of peppermint, and Migone's establishment in Milan had rendered itself independent in the matter of certain essential oils.

Germany has granted a considerable measure of protection to the manufacture of synthetic perfumes, and has established twelve factories, with an annual output of £2,200,000 to £2,400,000 worth of goods.

In Italy there have been a few signs of recent initiative, but nothing more.

This might seem very strange, for we are amongst the largest exporters of flowers, but here, again, initiative is always hampered, not so much by defective technique (for this is an industry based entirely on work of the chemist, so that Gianoli says that

<sup>1</sup> See G. Gianoli, *L'industria dei profumi artificiali* ("L'Industria," Vol. XXIX, No. 42).

artificial products, to build up the odour of natural scents, must be mixed in proportions dictated by laws of harmony analogous to the laws of music) as by the tax imposed upon alcohol, which not only represents a constituent of the perfumes themselves, but is also indispensable in the purification of certain products resulting from crystallisation, such as cumarin and heliotropin.

II. Similarly, *the distillation of the by-products of coal-tar*, benzine, the residues of petroleum, etc., ought to be freed from its fiscal burden. In this direction, while the war is still raging, and while for this very reason the necessities of this industry are of the most urgent importance, the Government has not found the courage to solve this problem. For this reason, at Vado, in the establishment for the distillation of coal-tar from metallurgical coke, and for the purification of the light oils, the process of manufacture is being carried on in a curious manner; for the Minister of Finance levies a sample of every consignment of goods, reserving to himself the decision of the question whether he will or will not impose the tax upon products which are already sold! It is obvious that this uncertainty in a financial operation, far from being a trifling matter, can only harm the industry itself.

III. *The Salt Monopoly*.—Cooking salt, it appears to us, and to those technical authorities whom we have consulted, ought to be delivered free of duty to all those industries which contribute to the manufacture of compounds of sodium, and the concession ought to be so generalised that it need not on every occasion undergo the fiscal and bureaucratic vicissitudes of a special concession.

*A propos* of the fiscal system as it affects salt, we note that a little step in advance—even if it fell a trifle awry—was made during the spring session of Parliament in 1916, with the approval of a projected law relating to the concession of salt at a reduced price for the fabrication of soaps by processes which may be held to include a process for the production of soda.

IV. *The transformation of the entire sugar régime* in respect of sugars destined for industrial purposes.

The fiscal treatment of sugar is also of considerable importance, if regarded from the standpoint of any single industry to which sugar is a necessity. We will consider a single example of this, which refers to the preparation of preserved fruits, jams, etc.

It is well known that we depend on foreign countries for this class of product, while our harvest of fruit is remarkable, even magnificent. All this fruit goes to foreign markets, part of it as dessert fruit (the Abruzzi peaches going to Russia), and part of it — and the greater part — for preserving.

The possibility of substituting our own products for those of the foreigner evades us because we cannot obtain the true preservative agent of such products — namely, sugar—at a suitable price.

It is not by chance that we mention this example.

As a matter of fact, if we could devote our fruit crops to the production of jams and preserves, and could supply the industry with sugar at a suitable price, we should not only emancipate ourselves, financially speaking, from the foreign product, but we should also favour the popular consumption of jams and preserved fruits, which from the nutritive point of view possess qualities generally recognised.

Here the financial advantage would coincide with a hygienic advantage.

V. *Reduction of Freights*.—Certain by-products, and certain manufactured products, destined to be transformed into other products, enjoy a possibility of utilisation which is strictly connected with the possibility of their transport by rail at a very low tariff, without which the convenience of such transformation ceases to exist. This is true of the by-products of gas-works and the medium qualities of brine from the salt-mines. The development of river navigation in Upper Italy, which is extremely rich in navigable waterways, will be providential for such "poor" goods.

VI. *Foreign Patents*.—A decree which should proclaim as void all German patents in respect of chemical processes would certainly and at once permit the manufacture of those easily prepared products which are now absolutely vetoed. This is the case, for example, with aspirin, which is now sold at fabulous prices; with antipyrin and the whole innumerable series of antipyretic preparations; with the synthetic alkaloids, and with dye-stuffs for industrial use.

This argument for the annulment of German patents has been accepted by England, the ever positive, and in France it has been fully expounded by M. Lefèvre in his *Revue Générale des matières colorantes*. And incidentally, as we are speaking of dye-stuffs, we will add that whoso would seriously desire to see Italy liberated from the German mortgage in this branch of industry will have to put an absolute stop to the introduction of German dye-stuffs into Italy.

Protective duties will not have much effect upon a competitor who has used and abused the process

of *dumping*, and who would, moreover, be inclined to resume it in order to reconquer so valuable a market as that offered by Italy in respect of this class of goods. We must prevent the entry of such products, however severe the measures required, not forgetting that Germany will resort even to smuggling rather than lose the game.

VII.—A most important provision, which we could venture to urge as one of the foremost necessities of our economic redemption, is the *protection of subsidiary or related industries*.

Certain industries—and they are many, and among the most important—draw their life from other kindred industries, or else they require that industries should spring up beside them, which, although apparently quite alien to them, are yet a collateral necessity. These relationships, of which some are unsuspected by the uninitiated, are to be found more especially in the sphere of the chemical industries.<sup>1</sup>

Here is a characteristic example. At Cengio, near Savona, there is an important manufactory of sulphuric acid and of tritol. Given the first product, the rest of the links may be divined: picric acid, gun-cotton, nitro-glycerine, ballistite. . . . This, then, is a factory of exceptional importance; as is proved by the size of the daily output, which amounts to about ten tons.

Now the manufacture of picric acid is inconceivable unless it is supported by the gritstone industry;

<sup>1</sup> The reader will note that in the matter of exemplification we often and intentionally turn to the chemical industries. We do not do so at random; it must always be remembered that the pivots of the German world-domination were and are the chemical, electrical, and metallurgical industries.

inasmuch as picric acid requires the employment of very large receptacles of gritstone. The provision of these receptacles being entrusted to a Bergamo factory, the latter, after a hundred fruitless attempts, succeeded in making the necessary receptacles.

In this case, therefore, it is a question not only of protecting the picric acid industry, but of favouring the gritstone industry, which seems quite alien to the former, yet is, on the contrary, in close and necessary relation to it. Hence, when we were speaking of the fiscal system and of protective tariffs we meant it to be understood that the necessary reforms should affect not only the principal industries, but also those subsidiary to them.

It remains to refer to the burning question of professional or technical instruction. Signor Carli has dealt with the essential points of the history of such instruction, and the legislation relating to it (*op. cit.*). In alluding to—without pretending to look deeply into—the deficiencies which favour the German invasion, and which ought to be made good if our campaign is not to be a mere academic exercise, we have said nothing about professional instruction precisely because we wished to reserve it for fuller treatment.

One of our most valued technicians, whom we questioned as to the problem of our economic redemption, observed, in conclusion: "It is not a question of money; it is a question of personal technique."

The entire German invasion of industrial and technical experts is due to one imposition and two justifications. The imposition is that which was



organised by the great German banks, which, faithful to their programme—"the minimum of capital, the maximum of men"—obliged the industries which they had bound to themselves to accept, as technical experts, the Germans whom they put forward for the purpose. This imposition, which has no foundation in any industrial necessity, will be abolished by the same action by which the German banks in Italy withdraw their invasion, or preserve, as far as their own activities are concerned, a purely financial character, without any political tendency.

Of the two justifications, the one was formal, the other substantial.

The formal justification consisted of the systematic preference which Italian manufacturers betrayed for German technicians, even when they were equalled in skill and experience by Italian technicians; a preference which may be summed up in the following ingenuous argument: "What would you have? We are very pleased with these fine big Germans, so serious and silent in their gold-rimmed spectacles." A primitive argument, consonant with the period of humility and self-depreciation and xenophilia which we hope Italy has left behind. The other justification was really a serious matter; we possessed very few technicians capable of encountering the Germans on their own ground.

What was the reason of this? Was it a real inability to rival the Germans? Certainly not. It was due rather to Governmental impotence; the State was powerless to place the Italians in a position to rival the Germans. No branch of education, as a matter of fact, other than the industrial branch, suffered the repercussion of the Government's vacilla-

tion between the solutions which other nations had applied to the problem of technical training. The natural conditions of the environment were certainly far from good. There stood in the way an obstacle which Signori Galletti and Salvemini described, in relation to a specific instance, in the following words--

"No technical mastery can be created in the textile industry if there are no establishments in the country wherewith this technical excellence can concern itself; and evidently it is impossible to create, on a vast scale, the personal instrument of the export trade, if the country has no produce which it will consent to export. We must have a first substratum of objective elements in which technical instruction can take root; we must have, to begin with, a favourable environment, which is constituted precisely by the development of the unconscious energies of the people, under the pressure of determined external conditions. Once there is this first substratum and this favourable environment, the technical education which develops in it will become such a propulsive force that it will cause the economic evolution of the country to progress, so to speak, in a geometrical ratio."<sup>1</sup> The authors then add that unless the soil is thus propitious technical education will eventually degenerate.

This is what is happening in Italy, and now we are feeling the burden of that confusion, that Governmental groping, whose successive stages were marked by the legislation on the subject in 1860 (the creation of the Ministry of Agriculture, Industry and Commerce), in 1862 (the Pepoli report on the extension of general culture in the Professional College and

<sup>1</sup> Galletti e Salvemini, *La riforma della scuola media*. Palermo, 1908.

Technical Institutes), in 1877 (the transfer of these institutions to the Ministry of Public Instruction), and in 1878 (the reversion of the Professional College only to the Ministry of Agriculture, Industry and Commerce).

In 1912 the Government, finding itself henceforth confronted by two types of schools, as the State schools had been supplemented by other schools of spontaneous origin (Schools of Industrial Design, Schools of Arts and Crafts, Secondary Industrial Schools), meditated their fusion, and sought to effect it by the Act of 1912 relating to professional instruction, which, though drafted by a Commission of highly competent authorities, was none the less vague and ineffectual. That is, it did not appear capable of achieving what Filippo Carli concluded to be essential: namely, of making the Technical School comparable to the continuation schools of Germany—of dividing the Technical School into a School of Agriculture, a Secondary Commercial School, and a Secondary Industrial School, entrusting to the Technical School the task of turning out apprentices, and to the Secondary Industrial School the creation of foremen. Now, in this conclusion Signor Carli assuredly touched upon the vital points of the question, and he afterwards insisted once again upon the necessity of renewing the system of training known in England and France as apprenticeship—*apprentissage*—which the Germans have so held in honour that we find it at the base of the methodical preparations for the economic exploitation of the German people. Apprenticeship fell into decadence in England and in France because the State did not attack it as a necessary problem, and yet, recognising its

great importance and regarding it with particular approval, it permitted the provision of associations which had excellent intentions and admirable constitutions, and also considerable means, but these associations were not of that obligatory character which alone could have caused a real revival of the apprentice system. Thus England possessed, and still possesses, an "Association for the Development of the Apprentice System," and provides—herself paying for it—for professional instruction in workshop and laboratory, and for the completion of this instruction by suitable evening or holiday classes directed by paid teachers.

And in France, guided by the error of such a decline, the State sought to repair it by means of legislation "relating to manual schools of apprenticeship" (1890), which the bureaucracy, and the conflicts between the various departments, rendered ineffectual.

And Italy has no reason to congratulate herself because, (in 1910) the word *Arti* disappeared from the denomination of the Chambers of Commerce. The word at least reminded one of the "Arts" which have been suppressed, without anything practical having taken their place.

In Germany the apprentice system is in the highest favour, because there the authorities are concerned not so much with the results of individual "valorisation" merely, as though it were a State benefit lavished on the youth of the working classes, as with the results of individual valorisation for the sake of the utility to the State which will emerge therefrom. Hence the great attention which the State has paid to the matter of solving this problem in the most

practical manner, and hence the obligatory character of the measures taken to solve it. And here it should be noted how those European States which had a wrong understanding of the liberty of the individual, extending it until it became licence to do or not to do, have done incalculable harm to the individual and to themselves. In Germany this conception is maintained: *no one can enter an industrial establishment save in the capacity of an apprentice or an unskilled worker.*

As an unskilled worker, if the family has not the means to educate the boy more thoroughly, and is suddenly forced to require him to work for his own living; as an apprentice, if his parents intend their son to attend those schools which from sixteen to eighteen years of age will give him rational instruction in the craft which he wishes to follow. Beneath this conception the *Reichs Gewerbe Ordnung*, or "Industrial Law of the Empire," establishes and extends its dictates. By this law such relations are established between the boy, the employer and the State as ensure the transformation of the apprentice into a skilled and qualified worker, safeguarded by reciprocal pledges, Governmental inspections, financial payments, and the determination of the proportion of apprentices which any one employer may accept; in short, by highly rational and carefully supervised regulations, which Signor Carli justly compares to those which controlled our excellently sagacious mediæval Guilds, from which the industrial State of Germany has derived even the wording of the indenture of apprenticeship. In substance, while we were forsaking apprenticeship for individual initiative, which aimed at the profit of to-day, being

confronted by the organised company, Germany was scientifically regulating the apprentice system. "Germany," says Signor Carli, "is a firm with seventy million partners; a firm administrated according to the criteria of the family group. It is a vast fraternity, a primitive clan, scientifically organised; and this is its strength, because it is the dynamic principle of its solidarity, of its structural cohesion; but this is also its weakness, because it is the reason of its hostility to the rest of the world. • We must imitate the one and avoid the other."

But if, any one, through temporary xenophobia (which ought not to exist in this connection, for we ought always to study the best of other nations, and—with modifications—to apply it to our own life)—if any one should refuse to imitate Germany, we have only to advise him to turn back to a much earlier example—to Rome, from which—as from (ancient) Greece—men asked to be released, but which is still and always the great instructress of the peoples. Roman Africa, as it is to-day, still shows the potent signs of the Roman rule, and every pick which breaks open its womb brings to light amazing treasures of architecture. Now, who thus built and adorned Tingad and Batna and those other cities which even to-day—in ruins—compel respect in those distant lands? No Roman guilds, for Rome sent none abroad, but local guilds, which the organising genius of Rome had created in the heart of populations utterly unlike her own.

"We must have many architects trained,"<sup>1</sup> wrote Constantine to the Proconsul of Africa, and ordered him to urge those young men of eighteen years who

were completing their usual studies to apply themselves to the study of architecture.

And the Roman Proconsul set the young men studying as Rome desired, exempting them and their families from taxation, and assuring them of Government pay during the period of apprenticeship. And Valentinian I did the same for painters, providing workshops and studios for their gratuitous use, obliging the masters to give them lessons, and paying them for their teaching, which compelled the young men to produce nothing on their own account until they had learned the rules of art.

But whether we wish to learn from Rome or Munich or elsewhere, it is important that Italy should escape from the disorganisation of the past and the paucity of present organisation. The ingenuity and perseverance of our technicians are certainly not in any respect less than those of the foreigner.

Where provision has been made to train them from the very first the results have been magnificent.

Our technical experts—such as we began to produce some years ago, and even to send abroad—are not only equal to the Germans in capacity, but surpass them in versatility and adaptability of talent, so that they find it easy to pass—if the need occurs—from their specialised province to a kindred field of activity.

Moreover, they obtain more work from the organisations of workers placed under them; as they spontaneously avoid, in their relations with them, the harshness and brutality which no one can deny in the German experts who has ever seen anything of them in our factories or workshops.

It is, therefore, no delusion on our part to maintain the possibility of the increasing replacement of the

German technical experts by Italians, and this is proved by what has already occurred in certain departments of Italian industry. Thus the reign of the German dye-stuff expert in Italy ceased some time ago, and one of their greatest experts frankly recognised the fact, when speaking to Professor Tullio Buzzi, who is the real author of our partial emancipation. Professor Buzzi and his Royal School of Weaving and Dyeing, in Prato, constitute the plain and impressive proof that Italy, in this department of industry, as in others, can stand by herself. Wisely initiated, and rationally directed by an enlightened science and by a serious and practical patriot like Buzzi, the Prato School of Weaving and Dyeing has gradually replaced the German employees in our Italian weaving-sheds and dye-works. That same Italian Dyeworks—*Stamperia Italiana*—in which some one was so pleased to see the “fine, big Germans, so serious in their gold-rimmed spectacles,” now employs—and is highly pleased with them—seven Italian chemists. One hundred and fifty experienced chemists have issued from the Prato School, and with them the problem of “German technique” is solved; not only this, but from abroad, from America especially, and from Asia, the pupils of Buzzi send him now and again their respectful proofs of the Italian capacity to assert itself wherever money and genius are seconded by instruments capable of “valorising” the great qualities of our people.<sup>1</sup>

<sup>1</sup> It is not entirely superfluous to say something of the exemplary Prato School of Weaving. Founded in 1886, with the modest aim of assisting the rising industry of the city, it continually enlarged its horizons, although the means granted were always inferior to its needs, until finally it achieved the character



Besides the Prato School, we may mention others of especial efficacy, such as the School for the Industry of Fats and Soaps, directed by Professor Facchini, at the Politecnico of Milan, the Italian School of Tannery, directed by Professor Baldracco, in Turin, the "Agrarian Station for the Paper Industry," in Milan, and the *Scuola Alessandro Volta* at Vicenza, which provides admirable technical experts for the electro-technical industries.

Then we have the School of Cheesemaking<sup>1</sup> at Reggio Emilia, and if there were a hundred more it would still be little, considering what the cheese and butter industry (present exports equal £3,200,000 annually) might do for Italy; and there are only two Schools of Fruit Culture, and we have one "Industrial Institute of Calabria," where, however, no account is taken of the development which ought

of a National School, which was the only thing capable of assuring its future—that future which now appeared magnificent, owing to its joining in the work of the School of Practical Dyeing, which was favoured and applauded by the manufacturers of all Italy, and to the institution of a course of mechanical technology, as applied to the weaving, spinning, finishing, dyeing and printing of fabrics, etc., etc. By amplifying the courses and extending the branches specialised in, the Prato School achieved another important result: the formation of a useful technical element for the "natural colonies" of Italy in South America, where technical experts can become manufacturers (just as many foreign technical experts in Italy have become manufacturers, and have obtained workers and money from their own country) so that the phenomenon of emigration will be given a character and value *positively national*.

<sup>1</sup> In Germany there are about fifty schools of cheese-making; Bavaria has five schools of forestry, three of arboriculture and viticulture, one of distillery, and one of gardening:—(Carli.)

to be given—in proportion to the resources of the region—to the specific teaching of the methods of the essence-making industry.

And there must be others, too, which perhaps we do not know of; but how many are yet to be established, which nevertheless would be providential in their effect upon the national economy, and would at the same time provide important sources of wealth for certain regions. Now and again a voice of appeal is raised for forgotten Sardinia, and while the Sardinian soldiers are receiving the highest individual eulogy from Cadorna on the Carso—words of praise which history will record—from the interior of the island the voice of justice admonishes us that after the war the heroism of the Sardinian people should at least awaken, in response, the interest of the State, an interest which would redeem so many years of negligence and forgetfulness.

Now, one of the first acts of gratitude which the Government might accomplish would be the establishment in Sardinia of special industrial schools which would have a practical bearing upon the utilisation of the excellent zinc ores which are extracted in that island, and which, after washing, have always hitherto gone to Belgium, or England, or France, because we had no technical experts trained for the zinc industry.

There is, to be sure, a School of Mining at Iglesias, but professional schools worthy of the name do not exist in Sardinia.

Not even Genoa, for that matter—where beats the great economic pulse of Italy—possesses a superior industrial school such as that of Rome; neither has she the equivalent of the famous, if insufficient,

polytechnics of other cities which are not her peers.<sup>1</sup>

And what we said formerly of the waste of the crop of oranges and lemons as handled by us suggests the idea of a professional department for the citric acid industry at Messina, in conjunction with the already existing secondary Industrial School.

Ask our Italian technical experts, and they will tell you what an obstacle-surmounting force, what a marvellous instrument of industrial valorisation, such schools might be. They must, then, be established promptly. Some of them ought to have been established already, during the war, when our increasing national apprehension of the defects of our economy would have supported the initiative of the State or of individuals, and would have laid the first foundations of that which should be the professional training of an Italy firmly determined to utilise the wealth which is hers.

And since agricultural wealth has been peculiarly hers from antiquity, we must not forget the schools of agriculture. We saw at the beginning of this volume the antithetical positions of Russia and of Germany in respect of the agricultural yield. Her agriculture having been impoverished by all the hands which industry has gradually subtracted from it, Germany has employed the remedy of agrarian industrialisation, which substitutes intensive for extensive culture, and obtains from the soil a yield which in certain cases is quintupled; Russia, on the contrary, owing to the lack of technical training, of initiative,

<sup>1</sup> See the open letter from Professor S. Orto Carboni to Commendatore Zaccaria Oberti, president of the Genoa Chamber of Commerce (May, 1916).

and of machinery, still confines her agricultural exploitation to rudimentary methods, which exhaust only the corticle—so to speak—of a vast and highly productive soil.

Now, we are closer to the patriarchal ways of Russia than to the agrarian industrialism of Germany, and in many regions our people live the poems of Tennyson or the eclogues of Virgil, which is delightfully pleasing to the mind, but is frankly not creditable to the economic life of a nation which, *when it acts*, knows how to act, and can act, as well as and better than the other nations which lead humanity.

There is a great difference, according to those who argue in the traditional manner, between North and South Italy; but if in reality ignorance and rudimentary methods in agriculture are more profoundly rooted in the South, because the land-owning middle classes are peculiar to the South,<sup>1</sup> in the North the exceptions to this state of things are still exceptions, and on striking the average between the agrarian conditions of the North and South this average will be found to be anything but consoling in respect of the professional culture of the landowner and the agrarian training of the labourer. And this is the pivot of the agricultural situation, for, as Signor Carli justly remarks, "deficient technical culture means deficient production; deficient technical culture means deficient organisation; and this, again, betrays itself in an insufficient stimulus to production."

<sup>1</sup> "The landowning middle classes lack, even more than capital, the technical capacity and the disposition to change their placidly patriarchal habits for a life of intensive labour." (*Inchiesta parlamentare sulle condizioni dei contadini*. Rome 1910.)

In respect of this proposition we may remind the reader that, although we call most emphatically—and it did not need, the war to decide us—for the establishment of agrarian schools, those, on the other hand, who have most emphatically asserted their claim to the representation and the tutelage of the tillers of the soil—that is, the Socialists—have turned their attention to the founding of political clubs devoted to the solution—of a Sunday—of the vine-growing problem, rather than actually to watching over the interests of the agricultural labourer and to improving the standard of agricultural training.

Agricultural strikes, with the accompanying putting down of vines, we have seen on several occasions, but we have seldom or never known the Socialists of North or South to found agrarian schools, or even to ask for them. For even in the Provincial Councils of Piedmont we have found the Socialists in opposition when it was a matter of consolidating and enriching the perambulating chairs of agriculture which, even to the Provincial Councils, must have appeared necessary and a fitting object of assistance. And in this connection, if the Italian State has much to learn from Germany, where the peasants are obliged to live grouped together, if only because their children would otherwise be unable to attend school in bad weather, on the other hand the Socialist Party has much to learn from its German brother (if we can call it so), which has turned its attention to the organisation of the professional instruction of the peasantry, and in so doing has shown itself assiduous and energetic, and sometimes, in its encounters with the State, justly violent, gaining thereby the political advantages of the initiative, while the nation gained

a steady increase of agrarian culture and of the agricultural revenue.<sup>1</sup>

Industrial schools, then, and agrarian schools; here are two capital factors of the programme of valorisation of Italian wealth.

But in each département these special schools must be established, and their criteria must be expediency and pure national interest.

For instance: to create special schools of chemistry in connection with the Universities seems, to those most competent to judge, an error, because the Universities are, as an environment, too theoretical, and between them and the specialist schools there would always be discord and the impossibility of

<sup>1</sup> *A propos* of socialism and industry it is most important to note that in May, 1916, *Vorwärts*, the principal organ of the German Socialists, devoted a long article to the constitution, in Berlin, of a gigantic trust for the fabrication of German chemical products, with a capital of £12,500,000, and owning plant, raw material, patents, etc., worth about £100,000,000. *Vorwärts* dedicated this article to the German working classes, explaining to them the national necessity for such a trust, and why the workers ought to support it. In Germany, that is, the Socialists regard the economic question from the national point of view, driving the masses who have given them their devotion along the paths marked out by the Great General Economic Staff. Let those Italian Socialists remember this who are still diverting themselves with the anti-bellicose invectives of Prampolini, and who regard every fresh national economic initiative with the eye of a victim and an enemy. In this connection also, as in its opposition to all civil assistance during the war, our official Italian Socialism has presented an ugly and a criminal spectacle. Now even those least tender to the psychological adjustment of the French democracy should recognise that in Italy such folly has produced no reaction, while in France even the humanitarian letter of Anatole France to Hervé resulted in the criticism and anathematisation of the most illustrious of French writers.

reciprocal understanding.<sup>1</sup> These schools, then, should be established apart from the Universities, and they should keep definitely to the region of practical technique.

Above all, we must not fall into the opposite vice of multiplying schools of the same type, yielding to pretended regional interests of a thoroughly—well, parliamentary nature.

We have, for example, five schools of viniculture and enology (wine-making): Alba, Corregliano, Avelino, Catania and Cagliari, which, taken together, average 450 students. Now, as there is already a "school for the wine industry" at Corregliano, it would have been proper to aid it by concentrating all possible financial and technical assistance upon it; instead of this it was atrophied by the creation of another identical or almost identical school at Alba, with scanty profit even to the new school. So let us by all means have new schools in Apulia and in Sicily for the specialised instruction which the various types of wine require, but let us have no multiplication of similar schools in the same region, or in wine-making districts of almost similar type. Here, again, is a variant of the inveterate vice of the dispersal of forces.

. . . . .

Besides these specific problems we ought to consider and determine certain general rules of conduct

<sup>1</sup> And in the department of Theory, for the rest, we are turning out technicians of enviable distinction, such as the electrical engineers who graduate from the Turin Polytechnic, and who, by reason of their solid theoretical culture, are appreciated and make their way brilliantly even in Germany.

which have a most vital connection with the problem of economic renovation.

We have spoken several times of the factor *man* in connection with the factor *raw material*. And among the problems of to-morrow the problem of emigration looms gigantic. Will the Government still retain the conception of emigration as a necessary evil? Or will it not rather be forced to confront this problem with courage, and solve it by drawing inspiration from the conception of the superiority of the State to the liberty of the citizens when we unconsciously make such use of this liberty as leads to the dispersal of our energies, and at times to anti-national activity?

By this we mean to say that the Government should supervise emigration, permitting it only in the case of those States, European or Transatlantic, which afford our artisans and agricultural workers a proper measure of protection in respect of their labour and their civil rights and their wages; and it ought to divert it—as a matter of necessity, and of State rights, considering the State in its national function—from those countries which do not give such guarantees, and receive our emigrants like a miserable herd of scourged and shorn creatures. And the Government should also prevent the emigration of illiterates, lest they should be despised by the working-classes abroad, and deceived and deluded by the foreign authorities. But this means that the Government must by means of an ample educational policy ensure that the emigrant shall not be illiterate.

Speak of emigration and the corollary of the word should be *the diplomatic protection* of the emigrant. Elsewhere we have given plain instances of what the



greater number of our consular representatives abroad actually were, and we have also given the names of some Italian consuls (that is, consuls for Italy) who had no acquaintance with the Italian language, or, worse still, knew the language but were quite insensible of the dignity of their charge, and of their sacred duties toward their fellow-countrymen who, in a moment of dismay and anxiety, turned to them as the consecrated representatives of the distant Mother Country. Such writers as Carli and Preziosi have mentioned such names and such painful and shameful instances.

And, again, we wrote of this a year later, giving details of the shameful folly displayed by the Italian Government in entrusting our African and Asiatic consulates to these same German and Austrian consuls. But not only is our absenteeism a monstrous thing from the standpoint of Italian dignity; it is as monstrous from the commercial point of view, for those foreigners who control both the consulates of their own people and the consulates of Italy not only neglect our interests, but make use of their position to oppose and to stifle them. And this was going on, during the present war, nor have we been able to discover any facts which give us reason to believe that it does not still continue.

While the economic militarism of Germany—as we said further back—is already preparing for to-morrow's campaign (and in Dresden the representatives of the German, Austrian and Bulgarian Chambers of Commerce are about to meet, together with the Turkish delegate), Italy has not yet decided upon an organic plan of Italian renovation and of commercial agreements with her Allies, nor has she

profited by the Alliance to improve her own economic affairs in the Allied countries and to replace the products of Germany in those countries by her own products. France and England have assuredly not acted thus. But France and England have in their ambassadors and consuls not only cultivated gentlemen, and sometimes great artists, such as Claudel, but these ambassadors and consuls are also patient and sagacious economists, who keep a watch on the commercial situation in the countries whose hospitality they enjoy, and inform their own country what it can effect there, what industries it can establish there, and for what products it can find a market. Consuls and consular agents have given support and practical guidance to the new and important "Association for the Economic Expansion of France," presided over by David Menet, the president of the Paris Chamber of Commerce. At the head of this association are the president of the Central Committee of the Shipowners of France, the vice-president of the Committee of Ironfounders, and all the great manufacturers of the country—men like Michelin, De Dion, and Michent—and also the Committee of Coalmines, the Steelworkers of Mitteville, the Wine Trade Syndicate, the Picon Distilleries, the Syndical Chamber of the Building Trade, the General Association of the Textile Industry, etc., etc.

This Association, then, is the wholesale mobilisation of the great industries of France for the energetic and patriotic conquest of markets to be won from the Germans. And this coalition has only to ask what ought to be produced, by whom it should be produced, and how its products should find a market. In foreign countries men representing France act as

the precursors of these questions, and return meticulously detailed replies.

England, for her part, is doing the same.

In this way the true anti-German economic campaign is being organised—a campaign in which there is no turning back.

What has Italy done? We do not forget and we do not exclude the various associations—the “Brothers of Italy,” the “Consumers and Producers,” the “Anti-German Associations” of Genoa and Rome, etc. But they are isolated forces, which the Government encourages with words, but does not, as it should, support by deeds. What is there to be gained by this system of *laissez faire*, with its perpetual equivocation of State disinterestedness? And on the other hand—to return to our subject—even if the Government should wish to-morrow to interest itself in our movement of expansion and redemption, to what consular *representatives* can it refer the above-mentioned associations, so that they may learn what quantities of what products ought to be produced and exported to Russia, Spain, Greece, Brazil, or Portugal? To what we have written in previous volumes, and have referred to in passing, we will add a passage from a depressing article written by Signor Guelfo Civinini in the *Corriere della Sera* for the 14th of May, 1916 (*L'Italia assente*)—

“All throughout Scandinavia our Allies’ work of commercial preparation, entrusted to active and expert agents, is daily increasing in intensity. These are the great markets of to-morrow to be won from the Germans, and they are beginning already to be the great markets of the day. Italy should have the fight to make

them hers also—a right which no other country would contest. The diversity of production which exists between Italy and the northern countries is calculated to create a natural current of exchange and to determine its convenience. All our products are needed there, ~~as all theirs~~ are needed by us. But while the commercial agents of every country are moving about and doing their utmost, supported and encouraged by their Governments, we have not a single commercial *attaché* in the whole of Scandinavia—not in all Norway, Sweden, and Denmark. On the other hand, I am told that we have not one in London even. When I was in Norway I knew that some agreement had been concluded between the Norwegian and the British Governments concerning the importation of alimentary pastes (macaroni, vermicelli, etc.) and preserved tomatoes. Italy is the country of macaroni; moreover, there is a line of Norwegian steamers which maintains a monthly service with Italy; but these steamers sail and return empty. The preserved tomatoes eaten in Norway come from Newcastle. Here, again, Italy is an absentee. In everything.”

Thus writes Signor Civinini. These are assertions of a most serious nature. In themselves they are a sufficient indictment of the Government which allows them to be published—that is, which cannot censor them because they are the truth.

But Signor Civinini does not stop here. More fortunate than we were, he discovers abroad diplomatic representatives entirely worthy of his praise. Signor Civinini does praise them, and we have too much respect for him to believe that he does so

frivolously. But these diplomatists, however deserving of praise for their good-will, were powerless afterwards to translate this will into action.

“Our diplomacy nearly always does what it can. But what can it do, poor thing! ‘The Legations of other countries, what with ministers, councillors, secretaries, chancellors, without counting all the other agents who work apart from these, boast in Switzerland, and in Norway, for example, a round score of officials. It was my lot to discover one of our ministers, His Excellency the Italian Minister, without a secretary, without a chancellor, without even a copyist of any sort, sick into the bargain, and with a fever on him he had to do everything for himself: write, keep accounts, work the copying-press, enter records, lick envelopes, and burn his fingers with sealing-wax. . . . How can you expect a country which treats itself thus to be respected?’ A Great Power, moreover, which, for example, while little Norway sends her Minister to Rome with a salary of 40,000 kroner, maintains its own Minister in Christiania upon a salary of 39,000 lire, paid in Italian notes; equivalent---that is, at the present rate of exchange, which has increased the krone from 1 lira 50 to about 2 lire---to some 18,000 kroner, which in Norway are neither more nor less than 18,000 lire (£720) in Italy. A Great Power which, while all the other countries are trebling or quadruplicating the staffs of their Legations, keeps its own empty? Where, then, are all the young diplomatists who returned from our Embassies and Legations in those countries with which we are at war, or almost at war? The majority, we are told, are ‘at disposal.’ At the

disposal of whom or what? Of the Ministry, perhaps; of the country, assuredly no. However, they tell me that some are in military service. You will tell me that at this moment the country may need their brains rather than their arms. But what are they doing ~~for us~~? The Ministry, in the meanwhile, is sparing in 'allowances' . . . for budgetary reasons.

"I will pass on, to many other matters. To the scandal, for example, of our honorary consular agents, of all those worthy foreign gentlemen, dealers in wool or stockfish, who do not speak a word of Italian, who gratify, by their assumption of such a charge, only a personal ambition, and who care no more for Italian interests than for those of the Fiji Islands. But we should never have done with such bitter reflections . . ."

These very serious assertions, I repeat, are made by Signor Zivini, and have been published in the *Corriere della Sera*—that is, in a newspaper which has the very great virtue of equilibrium, and which certainly, no matter what the temptation, has no love of scandal. But here it is a matter of necessity that there should be a scandal.

It is a matter, too, of supreme importance that the ~~scandal~~ should cease. In the economic renovation of Italy, then, the reform of the diplomatic and consular services must not be forgotten.

Reform? Let us rather say restoration. We must *make Italian consuls*; they must be really Italian, and worthily Italian. They must have, that is, the necessary qualities for the *extremely important* duties which they have to fulfil, and they must receive from the State, without niggardliness, all the necessary

means—and more than the necessary means if they require them—to display their qualities worthily. They must be our consuls abroad not merely in order to countersign passports and furnish legal documents, but in order to be the *economic eye* of Italy beyond the frontier. And this—for us—is a *highly essential* aspect of the economic problem.

To produce is necessary, but it is also necessary—and it is better—to know how and by whom to produce, to know how and to whom we are to sell our products.

We have endeavoured to demonstrate many things; and we should like to have convinced the reader of at least half the things we have demonstrated. The omissions which we have made do not trouble us; we admit them in advance; trusting that others, in the meantime, are supplying them or will supply them before long.

But now enough of the past. *Sat prata biberunt.* Let us look, then, at the future, which is not wholly included in Victory.

We are certain of victory.

But afterwards?

Shall we find, afterwards, restored in our midst that Italian spirit which five years ago was invoked by that most lucid and essentially Italian writer, Vincenzo Morello?

Without such restoration the victory would run a terrible risk of sterility. Now one of the great defects of the Italian spirit is its lack of persistence. We are accustomed to wish a thing, and afterwards to unwish it; like a boy in his teens, we are easily

tired of what yesterday was the object of our passionate solicitude.

And this quality might prove to be a sort of dry-rot, most ruinous to our future; to which we may add the facility with which we bestow our 'confidence.'

Note that we are not speaking hypothetically! It would seem that no one ought ever to forget what the Germans have meant to Europe and Italy. It seems as though every woman ought to remember Miss Cavell, and every Government the "scrap of paper," and every Italian scientist the ferocious apostasy of German science from the helm of all science: civil utility. And every mother ought for ever to remember the children with their hands lopped off, and every artist the premeditated destruction of the treasures of art to which the German artists subscribed in the "Manifesto of the Ninety-three." And every manufacturer, and every banker (that is, who feels himself to be first an Italian, and secondly a banker or manufacturer) ought to remember what an insuperable obstacle industry and banking encountered in the economic fabric of the Germans on the hither side of the Alps. It would seem, in short, that at the conclusion of the war the Italians, ~~together~~ with the whole of the civilised world, ought to rebuild about Germany the great Roman wall, so that the German nations would be forced—as was truly said in commemoration of the murdered English nurse—to look into each other's emaciated faces, and to live alone, with the shadow of their crime between them.

It seems that it ought to be so. And in reasoning thus we display neither hatred nor the spirit of



revenge; nothing but logic, prudence, and the wisdom of the man who has felt the gripe of the poison and does not again intend to hold the cup out for it.

Now, who has read this book can conscientiously say that he believes that it will be so?

Many have written to us who see further into the matter than does the man in the street; and of these not one spoke of any such confidence. All alike said: *Let us hope, it will be thus! It would be terrible if it were not so—if we were reduced, after a year or two, to forget, and to recommence that Calvary upon which Germany has nailed, one by one, the nations of Europe!*

*Let us hope!* they say.

And are we only to hope?

We ought—on the contrary—to make every effort to transmute that hope into certainty, so that to-day's effort toward redemption may to-morrow become the constant rhythm of our national life.

And nothing—we believe—can make this possibility a reality but the sense of a *still present danger*.

The Roman hero, who lays down the sword and returns to the plough, is a magnificent symbol of the disassociation of military necessity, which is temporary, from civil necessity, which is permanent.

But woe unto us if we accept such a symbol as one of forgetfulness. We must remember and be always ready.

To be always ready for defence, remembering that the others—the Germans—are ready, and will be ready to-morrow, to recommence the offensive.

This is what the French Minister, Clémentel, said in Rome (in May, 1916) to the correspondent of the *Corriere della Sera*—

"I can assure you that Germany, even now, is thinking about organising, by well-known means ('dumping' and 'cartels,' commercial travellers, etc.) a formidable renewal of the economic invasion. There has recently been constituted in Germany a cartel for the production of dye-stuffs with a programme of maintaining and increasing the German predominance in this branch of industry. And we have discussed, and shall again discuss, in Paris, a programme of emancipation from Germany in precisely this matter of the manufacture of dyes from coal-tar (the discovery of English, French and Belgian chemists, exploited hitherto only by German manufacturers). Italy has already done something practical in this field. It is urgent, above all, not to forget the tenacity of the German method, and to be under no illusions. To-morrow will be as yesterday."

And Guglielmo Emanuel, from London, brought us in April the message of the Germans themselves—

"Germany is organising a vast campaign with the object of exporting—when peace is hardly concluded—vast quantities of goods, and is making all preparations to obtain the necessary funds to buy the raw materials which she will need, and to regain her lost markets. The Germans expect to enjoy an advantage in the ships which are sheltering in neutral harbours during the war, which will enable them to dispose of an ample tonnage for the transport of accumulated goods.

"In Westphalia, Saxony and Bavaria associations are being formed of manufacturers who propose a common action in order to avoid the excessive pro-

duction of certain products and the insufficient production of others. That South Germany feels certain of recovering its markets for toys is proved by the fact that it is already producing British and Russian soldiers. The manufacturers declare that Russia, in order to re-establish her credit, must recommence her sales of corn to Germany, accepting in exchange whatever goods Germany will consent to sell.

"A few banks doubt if it will be possible to sell any of the goods now produced with a view to 'dumping,' but the manufacturers reply that the fashion is set by prices, not by good taste. Provided that articles can be furnished at impossibly low prices, they will at once become popular. The manufacturers of optical and surgical and electrical instruments, and of machinery, are working in co-operation, subdividing the labour in order to reduce the cost price, so that it has been possible to reduce the advance of ninety per cent. on the sale price which the banks are making, on behalf of the State, and on the security of the goods. Where two establishments in the same locality used formerly to produce, simultaneously, two qualities of goods, now each devotes itself entirely to one quality, and the other specialises in the production of the other, even making an exchange of machinery."

These may be—say the optimistic or the disloyal—the usual isolated opinions of the neutral countries of the North, and accepted by France so that she may conclude lasting commercial agreements with Italy. Are we willing to admit this for a moment? Yet we do admit it.

But to! the Germans themselves have come into the open, to confirm such statements, to give them a more definite tone, and to add preciser details.

Baron von Zedlitz, an influential member of the House of Peers, writes as follows—

“The German people will have to redouble its energies in order to conquer on the economic field after it has won the victory in the field of battle.”

And the deputy Fahrman adds—

“The present war is neither a dynastic nor a political war; it is almost purely economic.”

And all say—

“Let us therefore increase our production from this moment: let us make sure of getting raw materials; let us transform and improve our industries.”

There is talk of connecting the Danube with the Rhine. Indeed, German industry, under the menace of the Entente, is straining all its forces to the breaking-point.

It sells all it can to neutrals: it makes the prisoners of war work like galley-slaves.

In the meanwhile, the great chemical factories have united to create a single trust, formed by two powerful groups of dye manufacturers; that is, the *Anilinfabrik* and the *Hochster Farbwerk* combined with the *Weilert Meer*, with a share capital of the total value of £11,250,000. The organ of the Berlin Stock Exchange announces this trust as being a defensive organisation, evoked by the birth of foreign competition, and shows it—by virtue of the scientific

methods which it is adopting—to be capable of crushing every rival. Nor is this assertion unfounded, if we compare it with the admission of our Press that the efforts made at the beginning of the war “in England, America, Russia, Italy and Japan to shake off the yoke of German manufacturers have not achieved a satisfactory result.” As will be seen, Germany is working seriously to defend herself and to renew the offensive. We could easily continue to announce her new economic procedures.

The Düsseldorf Chamber of Commerce has already appointed a Commission for the importation of raw materials in considerable quantities on the morrow of peace; the great industrial houses are concluding contracts in America which are to be fulfilled the moment peace is declared; the Government is keeping all the ranks of industry at attention, is devising a system of export bounties, is striving to make Central Europe a single economic entity, is developing certain crops (such as the flax crop), is extending the canals, and is reorganising the Great General Economic Staff by the aid of men like Naumann, to whom the war has revealed fresh horizons of conflict, fresh audacities to be attempted. Senator Herriot, tracing, according to *German data*, the lines of the future plan of attack, said: “*Having found a military Hindenberg, the Germans are looking for an economic Hindenberg.*”

This is lucid and exact.

Let us remember, however, that Hindenberg was checked by the immensity of the task he had commenced, by the serene composure of the Russian Army, and by the harmonious loyalty of the Russian people standing behind the Russian Army.

Let us, too, then make ready, at once, in agreement with our Allies, but, above all, relying as far as possible on ourselves, a vast and solid work of economic defence and renovation, so that when the economic Hindenberg of to-morrow attempts to assail it he will find everywhere an impenetrable army and an unbroken line of entrenchments.

Only thus can we give, to the military victory which already looms through the most fierce and desperate days of battle, that permanent value, at home and abroad, which, with the calm and refulgent Future, will compensate us for the sanguinary and extenuating Present.

NOTE.—While passing the last proof-sheets the author is not yet aware of the results and the resolutions of the Economic Conference in Paris. Trusting that they will be sound, organic and unanimous, he reserves their consideration for another volume.

THE END

विनिर्दिष्ट। (कलाकृत्याय साधारण गतिवार्ता १-२२२२)

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